

City of Newton, Massachusetts

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006



Prepared by the Comptroller's Office

CITY OF NEWTON, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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INTRODUCTORY SECTION



CITY OF NEWTON, MASSACHUSETTS

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dwilkinson@newtonma.gov

DAVID C. WILKINSON
COMPTROLLER

November 20, 2006

Members of the Board of Aldermen
Mayor David B. Cohen
Citizens and Taxpayers of the City of Newton

I am pleased to transmit to you the City of Newton's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This report has been prepared by the Comptroller's Office of the City in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Government Accounting Standards Board (GASB).

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the assets of the City from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Sullivan, Rogers & Company, LLC, a firm of licensed certified public accountants, who have been hired by and report to the City's Board of Aldermen. The independent auditors' unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2006 is presented as the first component of the financial section of this report on pages 1 and 2.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Reports on Federal Award Programs.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

History and Profile

The City of Newton was settled in 1639 and incorporated as a City in 1873. The City is located approximately seven miles from downtown Boston and is bordered by the West Roxbury section of Boston on the southeast, the Town of Needham on the southwest, the Towns of Wellesley and Weston on the west, the City of Waltham and Town of Weston on the north; and the Town of Brookline and the Allston-Brighton sections of Boston on the east.

The City has a population of 83,829 according to the 2000 federal census and occupies a land area of 18.33 square miles. The City is principally suburban-residential in character and consists of 13 distinct villages – Auburndale; Chestnut Hill; Newton Centre; Newton Corner; Newton Highlands; Newton Lower Falls; Newton Upper Falls; Newtonville; Nonantum; Oak Hill; Thompsonville; Waban; and West Newton. Open space comprises 19.6% of the City's total land area, of which 55% is publicly owned.

Newton has a diversified economic base with 45,500 individuals employed in 3,699 establishments within the boundaries of the City, with an estimated annual payroll of \$2.2 billion. Businesses are generally small and service oriented with retail and wholesale trade and services accounting for 74% of all jobs.

Commercial uses occupy 4.1% of the City's land area. Nearly 24% of commercial land parcels are office uses; 21% are small retail uses; and 6% are storage or warehouse uses. Only 1.1% of the City's land area is industrial. Newton is a desirable community to live and work in due to its proximity to Boston; an excellent public school system; multiple transportation systems; attractive neighborhoods; high property values; and well managed local government. Newton has an award winning public library and a City museum that was a stop on the Underground Railroad.

Organizational Structure

The City is governed under a home-rule charter, which vested executive authority and responsibility in an elected Mayor, who serves a four-year term. Legislative authority is vested in a 24-member Board of Aldermen, of which eight members are elected from the City's eight wards and sixteen are elected at large. Members of the Board of Aldermen are elected every two years. An eight member school committee is elected every two years and is responsible for appointing the Superintendent of Schools, who has responsibility for the daily administration of the Newton Public Schools.

Services

The City provides a complete range of municipal services including education, public safety, public works, recreation, library, cultural and health and human services. The Massachusetts Water Resources Authority provides public water supply and sewerage treatment services.

Reporting Entity

The basic financial statements along with the combining statements and schedules included in this report relate to the activities under the direction and control of the Mayor, Board of Aldermen and School Committee. Accordingly, the activities of the Newton Contributory Retirement System, Newton Community Development Authority and Newton Commonwealth Foundation are included in this report as they are considered blended component units as prescribed by GAAP. The Newton Housing Authority is excluded from this report because it falls outside the direction and control of the Mayor and Board of Aldermen. Pursuant to the reporting requirements of GASB Statement #39, the Newton Schools Foundation, Inc. is also included as a discretely presented component unit.

Financial Management

The Mayor is responsible for the preparation of the City's capital improvement plan, and annually recommended capital and operating budgets. The Board of Aldermen is responsible for review and approval of all appropriations that are recommended by the Mayor. An eight member Finance Committee of the Board of Aldermen oversees financial policy and a majority of the membership of Finance Committee also serve on the Audit Subcommittee.

The City's senior financial management team consists of the Chief Administrative and Budget Officers, who serve on the Mayor's staff; the Treasurer/Collector and Chief Assessor who are appointed by the Mayor and approved by the Board of Aldermen, and the Comptroller who is appointed by the Board of Aldermen.

The City's three-member Board of Assessors, appointed by the Mayor, is responsible for maintaining accurate real estate and personal property values. Property values are adjusted annually to capture changes in the local real estate market and to make certain the City's assessed valuations are fair and accurate.

The Treasurer/Collector is responsible for revenue collections, cash and debt management, and the administration of parking violations. Real estate and personal property taxes are billed quarterly, thereby eliminating the need to borrow in anticipation of revenue. A lock-box system is used for the majority of real estate, personal property, motor vehicle and utility cash collections.

The Comptroller is responsible for maintaining the City's accounting records, and reporting the City's financial activity and position. Detailed monthly revenue and expenditure information is provided on-line to operating departments. Quarterly comparative financial management reports are issued to the Mayor, Board of Aldermen and public. Un-audited budgetary basis year-end financial reports are issued within 60 days of the close of the fiscal year, and audited financial statements are issued prior to the end of the calendar year.

Economic Condition and Outlook

While Newton is not immune to regional and national economic development trends, the City is characterized as a self-sustaining and stable local economy. Historically, Newton has housed a myriad of economic activities ranging from manufacturing to high-tech industries that have served not only local residents, but also the Greater Boston area, and in some cases national and international markets. The City's proximity to Boston; location on major regional highway systems; existing building stock; and solid and extensive physical infrastructure make Newton an attractive place for metro-area regional and national investments ranging from corporate headquarters to light manufacturing and regional retail.

The majority of the City's business establishments are located in the 13 village centers, as well as in some of the principal traffic corridors such as Needham, Boylston, and California Streets. There are two major concentrations of light manufacturing and non-service related industries, both of which are located on the edges of the City; one in Nonantum along the Watertown line, and a second in Newton Upper Falls, along the Needham line.

Long-term Financial Planning

During the fiscal year ending June 30, 2006 the City resumed the process of preparing a General Fund multi-year operating and capital budget forecast. A complete copy of the forecast is posted on the City's web site.

In order to validate the major assumptions included in the forecast, and to help develop a range of policy alternatives for improving the financial standing of the City, the Mayor and President of the Board of Aldermen appointed a Blue Ribbon Finance Commission, consisting of Newton residents with financial management expertise.

The Blue Ribbon Finance Commission is expected to report to the Mayor and Board of Aldermen in early 2007 on their findings and recommendations for improving the financial management of the City.

Accounting System and Budgetary Control

The management of the City is responsible for establishing and maintaining adequate internal controls to:

- Properly safeguard assets.
- Provide reasonable assurance on the accuracy and reliability of the accounting records used in the preparation of the basic financial statements.
- Provide reasonable assurance relative to compliance with legal and contractual constraints on the custody and use of assets.

Departmental expenditure budgets are prepared and accounted for on a line item basis. However, legally binding appropriations are made for Personal Services, Expenses, Fringe Benefits, Debt Service and Capital Outlay. Line item transfers within an expenditure category may be made with the approval of the Department Head and Comptroller. Transfers between expenditure categories require the approval of the Mayor and Board of Aldermen.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation, is employed in the Governmental Funds to maintain budgetary control.

An analysis of all legally adopted operating and capital budgets are presented on pages 83 – 106 of this report.

On September 19, 2006 the Massachusetts Department of Revenue certified the City's June 30, 2006 free cash (General Fund fund balance available for appropriation) at \$7,690,495. The City's previous year free cash certification was \$3,885,027. Exceptional growth in inspectional services department permit revenue and investment income, along with the continued reduction in the amount of free cash used to support the annual operating budget accounted for the majority of the growth in the free cash position.

Cash Management

Quarterly billing of real estate and personal property taxes coupled with timely water and sewer utility billing has eliminated the need to borrow in anticipation of revenue. Idle cash is invested by the Treasurer/Collector and governed by the Municipal Finance Laws of the Commonwealth of Massachusetts.

Trust Fund, Permanent Fund and Internal Service Fund assets, which the City does not expect to liquidate for current operations, are invested in U.S. Government, fixed income and/or equity securities. Professional investment managers oversee the City's long-term investments.

The Retirement System's assets are segregated from other City assets and are managed by a variety of professional investment managers who have been selected by the Retirement Board, with the assistance of an investment consultant, in order to achieve the Board's asset allocation policy. An independent custodian bank holds all of the System's investments. The Retirement Board is currently in the process of considering the addition of a variety of asset classes that have not historically been a part of the asset allocation plan, but which appear to be necessary in order to meet our return objectives.

Risk Management

The City is self-insured for group health, workers' compensation, building and general liability insurance. Individual Internal Service Funds are maintained for purposes of accumulating sufficient assets to meet fund liabilities.

The City purchases property insurance from a commercial insurance company but funds annual premiums from earnings on the building self insurance fund assets. All other risk exposures are self insured by the City.

Employee and retiree health insurance costs continued to grow by double digits during the fiscal year ended June 30, 2006. Total health insurance operating expenses increased by \$4.1 million (12%) to \$38.2 million and the net assets of the health self insurance fund declined to \$3.6 million – slightly more than one month of average claims experience.

In order to prepare for the implementation of Governmental Accounting Standards Board (GASB) Statement 45, the City has continued its policy of contracting for an annual actuarial valuation of post retirement health benefits promises to our employees and retirees. As reported on pages 36 and 37 of this report, the City has accumulated a \$560.9 million actuarial liability for post retirement benefits and no funds have yet been accumulated to fund this obligation. The difference between our current annual pay-as-you go annual funding of these benefits and the "Annual Required Contribution (ARC)" funding that our actuaries have calculated as being necessary to fund these future obligations is \$36.2 million per year.

During the fiscal year ended June 30, 2004 the City achieved full actuarial funding of our outstanding workers compensation liabilities. We remain fully funded at June 30, 2006, however the net assets of the Workers' Compensation Self Insurance Fund declined by \$353,234 to \$165,112.

Collective Bargaining Agreements

All existing collective bargaining agreements with city and school employees expired on either June 30 or August 31, 2006. The firefighter contract remains unresolved retroactive to July 1, 2003, however, a liability has been estimated consistent with the terms of other collective bargaining contracts that were in place at June 30, 2006 for this contract. A wage reserve has been included in the fiscal year 2007 General Fund budget to fund the outstanding contract.

Audit Committee

In order to strengthen the City's internal controls and financial reporting, the President of the Board of Aldermen established a permanent audit committee of the Board of Aldermen, consisting of a representatives of the Board's Finance Committee. Alderman Scott Lennon has agreed to serve as the first audit committee chair, along with Aldermen Paul Coletti, finance committee chairman; and Aldermen Ken Parker; Stephen Linsky; and Len Gentile. The audit committee has begun to play an important role in audit planning and ongoing monitoring of the City's efforts to improve financial controls and reporting.

Awards and Acknowledgments

During the fiscal year ended June 30, 2006, the City has maintained a Aaa credit rating with Moody's Investor Service.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2005. This is the second year that the City has made application and received this prestigious award. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must also satisfy all applicable legal requirements and generally accepted accounting principals.

A Certificate of Achievement is valid for a period of one year only. We believe that the report for the fiscal year ended June 30, 2006 continues to meet the requirements of the award program and it is our intent to make application for the award program once again in order to determine that we continue to meet the highest standards of financial reporting.

Before concluding, I would like to take this opportunity to acknowledge the exceptional work and professional commitment of the staff of the Comptroller's Office and the Retirement Office: Kelly Byrne; Donna Cadman; Ann-Marie Daley; Eileen Frail; Helen Ho; Bob Perruzzi; Julie Zakak; and Regina Zegarelli. Special thanks also go to the public accounting firm of Sullivan, Rogers & Company for the efficient completion of this year's audit and for all of their advice and assistance in the preparation of this report.

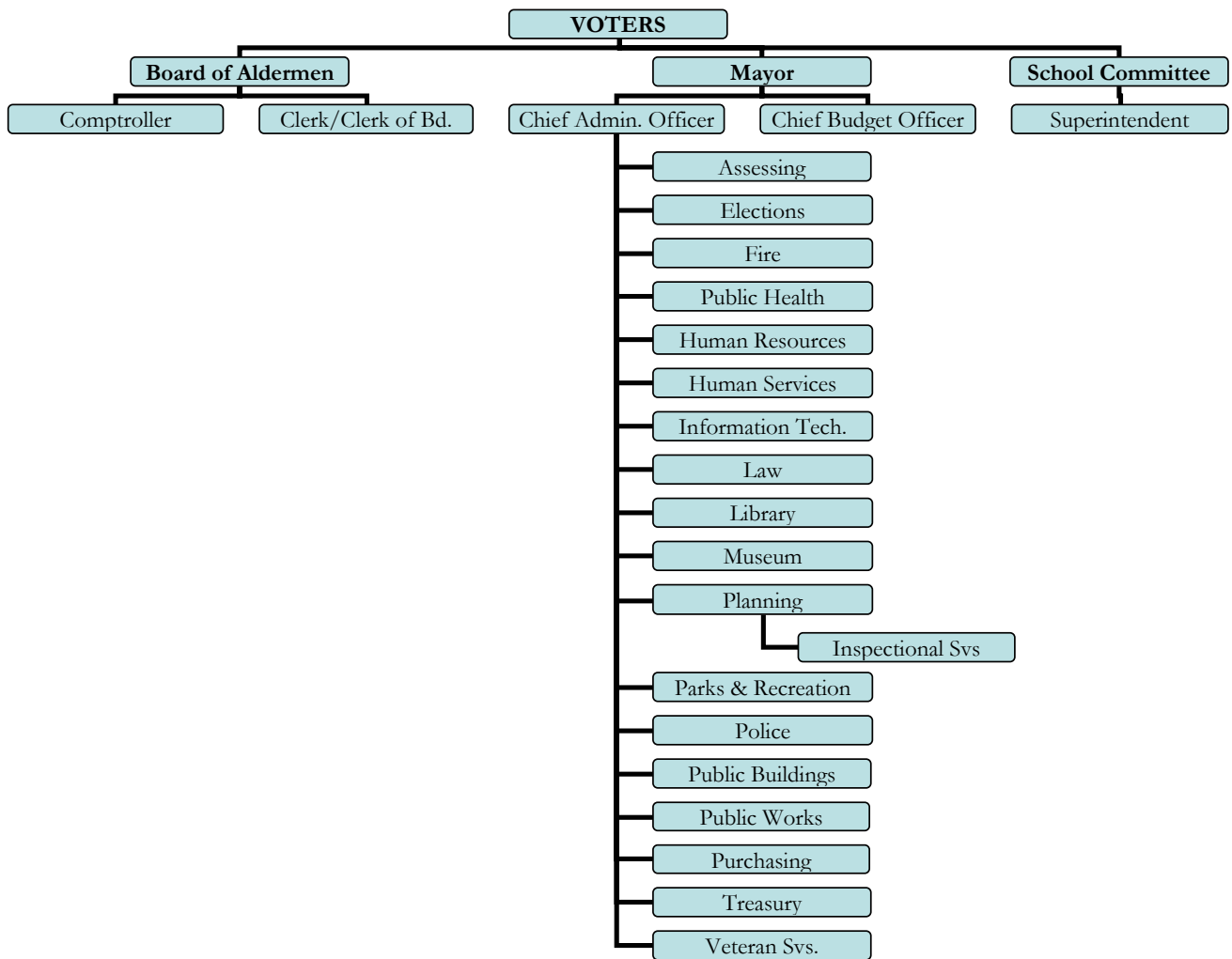
Respectfully,

A handwritten signature in black ink, appearing to read 'D. Wilkinson', with a long horizontal stroke extending to the right.

David C. Wilkinson
Comptroller

CITY OF NEWTON, MASSACHUSETTS

ORGANIZATIONAL CHART



CITY OF NEWTON, MASSACHUSETTS

ELECTED OFFICIALS AND DEPARTMENT HEADS

BOARD OF ALDERMEN

R. Lisle Baker, President
Any Mah Sangiolo, Vice President
Ben Weisbuch
Carleton P. Merrill
Scott Lennon, Audit Committee Chairman
Marcia T. Johnson
Susan Albright
Stephen M. Linsky
Ted Hess-Mahan
Leonard J. Gentile
Anthony J. Salvucci
Leslie Burg
John W. Harney
Paul E. Coletti, Finance Committee Chairman
Brian E. Yates
Christine Snow Samuelson
George E. Mansfield
Kenneth R.L. Parker
Victoria Danberg
Sydra Schnipper
Vern W. Vance
Mitchell L. Fishman
Richard A. Lipoff
Cheryl Lipoff Lappin

SCHOOL COMMITTEE

Dori Zaleznik, Chairman
Mark Laredo, Vice Chairman
Reenie Murphy
Jonathan Yeo
Susan Heyman
Claire Sokoloff
Gail Glick
Ann Larner
Jeffrey Young, Superintendent of Schools
Sandra Guryan, Assistant Supt. Budget & Finance

EXECUTIVE

Mayor David B. Cohen
Sanford Pooler, Chief Administrative Officer
Sanford Pooler, Chief Budget Officer
Jeremy Solomon, Chief of Policy & Communications
Maureen Grimaldi, Citizen Assistance Officer

DEPARTMENT HEADS

Accounting: David Wilkinson, Comptroller of Accounts
Assessing: Elizabeth Dromey, Director
City Clerk/Clerk of Board: David Olson, City Clerk/Clerk of the Board
Civil Defense: Jay Moskow, Director
Elections: Peter Karg, Executive Secretary Election Commission
Fire: Joseph LaCroix, Fire Chief
Health & Human Services: David Naparstek, Commissioner
Human Resources: Dolores Hamilton, Director
Information Technology: Ann Cornaro, Director
Inspectional Services: John Lojek Commissioner
Newton History Museum: Susan Abele, Acting Director
Law: Daniel Funk, City Solicitor
Library: Kathy Glick Weil, Librarian
Parks & Recreation: Fran Towle, Commissioner
Planning & Development: Michael Kruse, Director
Police: John J. O'Brien, Police Chief
Public Buildings: A. Nicholas Parnell, Commissioner
Public Works: Robert Rooney, Commissioner
Purchasing: Rere Cappoli, Purchasing Agent
Senior Services: Jayne Colino, Director
Treasury: Edward Spellman, Treasurer & Collector
Veteran Services: Fred Guzzi, Veterans Agent

CONTRIBUTORY RETIREMENT BOARD

Nunzio Piselli, Chairman & Mayor's appointee
Francis Capello, Vice Chairman & Elected member
David Wilkinson, Ex Officio Member (Comptroller of Accounts)
Paul Bianci, Elected Member
Richard Heidlage, Appointed Member
Kelly Byrne, Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newton
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

President

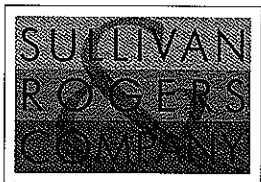
Jeffrey R. Enos

Executive Director



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FINANCIAL SECTION



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC

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Burlington, Massachusetts 01803

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Independent Auditors' Report

To the Honorable Board of Aldermen and Mayor
City of Newton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of and for the fiscal year ended June 30, 2006 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the fiscal year ended December 31, 2005, and the Newton Schools Foundation, Inc., which is as of and for the fiscal year ended June 30, 2005), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Newton, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Newton Commonwealth Foundation, Inc., which represents 100% of the assets and revenues of the major enterprise golf fund and 2.4% and 1.0% of the assets and revenues, respectively, of the business-type activities. Those financial statements were furnished to us, and our opinions, insofar as they relate to the amounts included for the Newton Commonwealth Foundation, Inc., are based on the report of the other auditors. We did not audit the financial statements of the Newton Schools Foundation, Inc., which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were furnished to us, and our opinions, insofar as they relate to the amounts included for the Newton Schools Foundation, Inc., are based on the report of the other auditors.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Newton Commonwealth Foundation, Inc. and the Newton Schools Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of June 30, 2006 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the fiscal year ended December 31, 2005, and the Newton Schools Foundation, Inc., which is as of and for the fiscal year ended June 30, 2005), and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and community preservation fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2006, on our consideration of the City of Newton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 3 through 14) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newton, Massachusetts' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, additional information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Sullivan, Ray & Company, LLC".

October 18, 2006

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Newton (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006.

Financial Highlights:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$276.5 million (*net assets*). Of this amount, \$76 million is considered unrestricted (*unrestricted net assets*). The unrestricted net assets of the City's governmental activities are \$52.5 million and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets of the City's business-type activities are \$23.5 million and may be used to meet the ongoing obligations of the city's water; sewer; and golf course business-type activities.
- The City's total net assets increased by \$10.2 million or 3.8% in fiscal year 2006. Net assets of governmental activities increased by \$6.4 million, a 3% increase from fiscal year 2005. Net assets of business-type activities increased by \$3.8 million or 7.3% from fiscal year 2005.
- Unrestricted governmental net assets increased by \$8.8 million to \$52.5 million at June 30, 2006.
- Although the City's governmental activities unrestricted net assets have no restrictions on them from parties external to the City, \$31.8 million or 60.6% of these resources have been internally earmarked by the City for specific future uses. These earmarkings consist of: year end encumbrances and continued appropriations - \$5.6 million; fund balances appropriated to support the fiscal year 2007 general fund budget - \$1.7 million; revolving fund and receipts reserved fund resources designated by vote of the board of alderman or school committee for specific services - \$6.2 million; capital stabilization fund balances designated for future capital improvements - \$9.8 million; self-insurance funds - \$5.9 million and an insurance structured settlement designated for retirement of state pension loan - \$2.6 million.
- The total cost of all City services for fiscal year 2006 was \$325.9 million, \$296.4 million (91%) of which was for governmental services, and \$29.5 million (9%) of which was for business-type activities.
- A total of \$72.6 million or 24.5% of governmental services were financed from program revenue, leaving 75.5% to be financed from general revenues and interfund transfers of the City. Property taxes and property tax surcharge revenue represented the single largest source of general revenue.
- At June 30, 2006, the City's governmental funds reported a combined fund balance of \$40.4 million. The combined governmental funds fund balance increased by \$16.3 million (67.65%) from the prior year's ending fund balance.
- The City's general fund reported a fund balance of \$20.3 million at the end of fiscal year 2006, a \$6.5 million (47%) increase over the total fund balance at June 30 of the prior fiscal year. The undesignated portion of the fund balance for the general fund was \$13 million or 4.8% of total general fund revenues and other financing sources. A total of \$1.7 million of the unreserved fund balance was designated for funding the fiscal year 2007 budget, a decrease of \$500,000 or 23% from the prior year.
- The City's total debt (bonds and notes) decreased by \$28.8 million or 25.8% to \$82.9 million during the year, principally as a result of pay down of Newton South High School renovation bond anticipation notes with the proceeds of a state school construction grant.

Overview of the Financial Statements:

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The *statement of net assets* (pages 15 and 16) presents information on all of the City's non-fiduciary assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* (pages 17 and 18) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions and activities of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include the broad functions of general government; public safety; education; public works; health & human services; culture and recreation; debt service – interest and the major services provided within each functional category. The business-type activities of the City include three enterprise activities: the water system; the sanitary sewer system; and the Newton Commonwealth golf course.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the community preservation fund and the high school improvements fund, all of which are considered to be major funds. Data from the other 16 funds are combined into a single, aggregated presentation under the caption *non-major governmental funds*. A brief description and individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* on pages 61 - 71 of this report. The governmental funds financial statements can be found on pages 19 – 24 of this report.

Proprietary funds: The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, sanitary sewer, and golf course activities. *Internal service funds* are an accounting device used to accumulate and allocate the costs internally among the City's various functions, including employee health benefits; workers' compensation; public building insurance; and general liability self-insurance activities. The services provided by these funds predominately benefit the governmental rather than the business-type functions. Accordingly, the internal service funds have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sanitary sewer, and golf course activities, all of which are considered major funds of the City. Conversely, all internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements. A brief description of each fund and individual fund data for the internal service funds is provided in the form of *combining statements* on pages 72 – 75 of this report. The basic proprietary fund financial statements can be found on pages 25 – 27 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* included in the government-wide financial statements because the resources of the funds are *not* available to support the City's own functions and activities. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary funds financial statements provide separate information for the pension trust fund of the City. All other fiduciary funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively. A brief description of each fund and individual fund data for the private purpose trust funds and agency funds are provided in the form of *combining statements* on pages 76 – 82 of this report. The fiduciary funds financial statements can be found on pages 28 and 29 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 60 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's progress in funding its obligation to provide pension benefits to its employees. Such information is located on page 58 of this report.

The combining statements previously referred to are presented immediately following the notes to the basic financial statements.

Government-wide Financial Analysis:

Net Assets: The City's total assets exceeded total liabilities by \$276.5 million at June 30, 2006. This represents a \$10.2 million or 3.8% increase over the total net assets at June 30, 2005.

City of Newton, Massachusetts
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets.....	\$ 93,972,167	\$ 107,434,679	\$ 17,394,984	\$ 15,405,096	\$ 111,367,151	\$ 122,839,775
Noncurrent assets (excluding capital assets).....	35,489,211	45,749,838	11,515,075	11,367,748	47,004,286	57,117,586
Capital assets (net).....	196,323,765	194,981,965	51,542,437	49,732,740	247,866,202	244,714,705
Total assets.....	325,785,143	348,166,482	80,452,496	76,505,584	406,237,639	424,672,066
Liabilities						
Current liabilities (excluding debt).....	33,002,233	32,697,690	1,261,956	1,704,948	34,264,189	34,402,638
Noncurrent liabilities (excluding debt).....	12,261,023	12,157,696	257,808	148,200	12,518,831	12,305,896
Current debt.....	20,532,050	55,095,500	2,486,579	2,196,869	23,018,629	57,292,369
Noncurrent debt.....	39,082,800	33,719,850	20,848,545	20,696,580	59,931,345	54,416,430
Total liabilities.....	104,878,106	133,670,736	24,854,888	24,746,597	129,732,994	158,417,333
Net Assets						
Invested in capital assets (net of related debt).....	153,034,916	153,522,317	31,405,072	30,171,832	184,439,988	183,694,149
Restricted.....	15,416,377	17,283,859	660,238	374,208	16,076,615	17,658,067
Unrestricted.....	52,455,744	43,689,570	23,532,298	21,212,947	75,988,042	64,902,517
Total net assets.....	\$ 220,907,037	\$ 214,495,746	\$ 55,597,608	\$ 51,758,987	\$ 276,504,645	\$ 266,254,733

The largest portion of the City's total net assets (66.7%) represents the investment in capital assets (e.g., land, buildings and improvements, equipment and machinery, road network, water system, infrastructure and construction in progress) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens therefore; these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves, cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$16.1 million or 5.8% of total net assets, represents resources that are subject to restrictions placed on how they may be used by parties external to the City. A summary of the major components of the restricted net assets may be found on the face of the Statement of Net Assets, which can be found on page 16 of this report.

The remaining balance of unrestricted net assets, \$76 million or 27.5% of total net assets, may be used to meet the City's on-going obligations to citizens and creditors. A total of \$23.5 million or 30.9% of this sum may only be used, however, for the support of the City's business-type activities - water, sewer, and golf course activities.

Total unrestricted net assets available for the support of governmental activities amounted to \$52.5 million at June 30, 2006, an increase of \$8.8 million or 20.1% from the June 30, 2005 balance. The increase in unrestricted net assets is primarily the result of two factors: the City's long standing policy of financing most long-term capital assets with debt having terms significantly less than their useful lives, and favorable revenue experience in the areas of inspectional services department permits and investment income earnings.

Changes in net assets: The City's total revenues for the year ended June 30, 2006 declined by \$19.5 million from the prior year, however, excluding the effect of a \$34.8 million school building assistance grant on total 2005 revenue, total fiscal year 2006 revenues were up by \$15.3 million or 4.8% over the prior year. Property tax revenues, the largest

single source of revenue to the City accounted for 59.8% of total revenue for the year. Another 3.5% of revenue came from other taxes (motor excise and hotel room occupancy); 16.2% was realized from fees, fines, and charges for service; 2.4% came from miscellaneous local sources; and the remaining 18.1% from grants and contributions.

City of Newton, Massachusetts
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
<i>Program Revenues:</i>						
Fees, fines and charges for services.....	\$ 21,298,907	\$ 20,056,263	\$ 33,310,333	\$ 30,100,040	\$ 54,609,240	\$ 50,156,303
Operating grants and contributions.....	50,634,476	48,847,308	985,778	1,414,263	51,620,254	50,261,571
Capital grants and contributions.....	642,315	36,589,529	329,005	159,450	971,320	36,748,979
<i>General Revenues:</i>						
Real estate and personal property taxes.....	200,966,839	192,457,450	-	-	200,966,839	192,457,450
Motor vehicle and other excise taxes.....	10,803,654	11,202,714	-	-	10,803,654	11,202,714
Hotel room occupancy taxes.....	1,060,052	979,194	-	-	1,060,052	979,194
Penalties and interest on taxes.....	830,030	1,166,429	-	-	830,030	1,166,429
Payments in lieu of taxes.....	553,920	529,600	-	-	553,920	529,600
Community preservation surcharges.....	1,963,982	1,893,219	-	-	1,963,982	1,893,219
Grants and contributions not restricted to specific programs.....	8,353,727	7,988,751	-	-	8,353,727	7,988,751
Unrestricted investment income.....	3,290,981	1,687,125	-	-	3,290,981	1,687,125
Gain (loss) on disposal of capital assets.....	10,702	36,000	-	(3,225)	10,702	32,775
Other.....	1,133,664	554,259	-	-	1,133,664	554,259
Total revenues.....	<u>301,543,249</u>	<u>323,987,841</u>	<u>34,625,116</u>	<u>31,670,528</u>	<u>336,168,365</u>	<u>355,658,369</u>
Expenses						
General government.....	24,910,337	19,457,121	-	-	24,910,337	19,457,121
Public safety.....	43,062,252	41,690,193	-	-	43,062,252	41,690,193
Education.....	181,638,581	175,722,669	-	-	181,638,581	175,722,669
Public works.....	21,666,417	23,440,299	-	-	21,666,417	23,440,299
Health and human services.....	8,979,409	8,864,530	-	-	8,979,409	8,864,530
Culture and recreation.....	13,802,334	14,253,032	-	-	13,802,334	14,253,032
Debt service - interest.....	2,350,756	2,570,332	-	-	2,350,756	2,570,332
Water.....	-	-	10,939,117	10,045,997	10,939,117	10,045,997
Sewer.....	-	-	18,404,780	17,888,524	18,404,780	17,888,524
Newton Commonwealth Golf Course.....	-	-	164,470	206,744	164,470	206,744
Total expenses.....	<u>296,410,086</u>	<u>285,998,176</u>	<u>29,508,367</u>	<u>28,141,265</u>	<u>325,918,453</u>	<u>314,139,441</u>
Change in net assets before transfers.....	5,133,163	37,989,665	5,116,749	3,529,263	10,249,912	41,518,928
Transfers, net.....	<u>1,278,128</u>	<u>1,219,955</u>	<u>(1,278,128)</u>	<u>(1,219,955)</u>	<u>-</u>	<u>-</u>
Change in net assets.....	6,411,291	39,209,620	3,838,621	2,309,308	10,249,912	41,518,928
Net assets - beginning of year, as restated.....	<u>214,495,746</u>	<u>175,286,126</u>	<u>51,758,987</u>	<u>49,449,679</u>	<u>266,254,733</u>	<u>224,735,805</u>
Net assets - end of year.....	<u>\$ 220,907,037</u>	<u>\$ 214,495,746</u>	<u>\$ 55,597,608</u>	<u>\$ 51,758,987</u>	<u>\$ 276,504,645</u>	<u>\$ 266,254,733</u>

Total expenses increased by \$11.8 million or 3.8% during the year. Education expenses accounted for \$5.9 million or 50% of the growth in total expenses and continued to represent the largest single category of spending, at 55.7% of total City expenses. General government expenses, principally planning and development community housing activities and public building maintenance and operations, accounted for the next largest portion of the annual expense growth (\$5.4 million or 45.8% of the total 2005 to 2006 expense growth). Public works expenses declined from the prior year, as a result of the fact that 2006 snow and ice control spending requirements were significantly less than in the previous fiscal year.

Governmental activities – Governmental activities increased the City’s net assets by \$6.4 million during fiscal 2006. A summary of revenues and major functional expenses is included in the table presented above.

In order to assist the reader in understanding more completely the full cost of the major services provided by the City within each of the broad functional classifications identified above, the Statement of Activities, presented on pages 17 and 18 of this report, provides a detailed accounting of all major service expenses and related revenues.

As has been the case in the past, all governmental activity services, except for inspectional services, relied on subsidies from general revenues to one degree or another during fiscal year 2006. Inspectional service department program revenues exceeded total program expenses by \$4.5 million for the year as a result of strong permit revenue performance. For the year ended June 30, 2005 inspectional service department program revenues exceeded program expenses by \$2.8 million.

Business-type activities – Business-type activities increased the City’s net assets by \$3.8 million during fiscal year 2006. This is primarily the result of the water and sewer rate structure that was implemented during fiscal year 2006.

Financial Analysis of Governmental Funds:

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of June 30, 2006, the City’s governmental funds reported a combined fund balance totaling \$40.4 million, a \$16.3 million increase over the prior year’s reported financial position. Contributing to the improvement in total governmental funds fund balance is the \$6.8 million improvement in the financial position of the high school improvements fund. During the fiscal year ended June 30, 2006, the City issued \$10.3 million in long term debt, which was used to retire temporary bond anticipation note financing for the Newton South High School renovation project. At June 30, 2006, a total of \$12.1 million in bond anticipation notes remained outstanding for high school improvement purposes.

The general fund is the chief operating fund of the City. At June 30, 2006 the general fund reported a total fund balance of \$20.3 million – a \$6.5 million (47%) increase over the total fund balance for the previous fiscal year. The unreserved and undesignated portion of fund balance increased by \$6.3 million or 94% to \$13 million. Undesignated fund balance represents 4.8% of total general fund revenues and transfers from other funds.

The improvement in the financial position of the City’s general fund is the result of the continued planned reduction in the use of fund balance as a financing source for the annual operating budget; conservative revenue budgeting; rising interest rates on invested cash; an extraordinary level of building permit activity; and the fact that the City did not have to finance the same level of snow and ice control expenditures as were required in the previous fiscal year.

City of Newton, Massachusetts
General Fund
Fund Trends – Fiscal year 2006 and (5) previous fiscal years

	2006	2005	2004	2003	2002	2001
Total fund balance	\$ 20,294,872	\$ 13,822,467	\$ 17,286,448	\$ 17,160,502	\$ 15,438,743	\$ 16,798,424
Less: Fund balance reserved for:						
Encumbrances.....	2,106,351	1,122,558	1,186,735	772,599	1,301,183	688,442
Continued appropriations.....	3,534,093	3,790,612	4,390,237	3,255,408	2,760,972	3,289,791
Other purposes.....	-	-	-	21,307	27,141	-
Unreserved fund balance.....	14,654,428	8,909,297	11,709,476	13,111,188	11,349,447	12,820,191
Less: Fund balance designated to						
support following year budget.....	1,700,000	2,200,000	2,738,000	2,200,000	1,700,000	2,200,000
Undesignated fund balance.....	12,954,428	6,709,297	8,971,476	10,911,188	9,649,447	10,620,191
Total revenue & other financing sources.....	\$ 272,268,899	\$ 259,574,467	\$ 250,012,404	\$ 243,859,374	\$ 221,622,942	\$ 217,785,789
Total fund balance as % total revenue and ofs.....	7.5%	5.3%	6.9%	7.0%	7.0%	7.7%
Unreserved fund balance as % total revenue and ofs.....	5.4%	3.4%	4.7%	5.4%	5.1%	5.9%
Undesignated fund balance as % total revenue and ofs.....	4.8%	2.6%	3.6%	4.5%	4.4%	4.9%

Total fiscal year 2006 general fund revenues and other financing sources increased by \$13 million or 5.3%, to \$272.6 million.

Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and personal property taxes.....	\$ 200,165,525	73.4%	\$ 7,611,137	4.0%
Motor vehicle excise taxes.....	11,298,282	4.1%	(169,585)	-1.5%
Hotel room occupancy taxes.....	1,060,052	0.4%	80,858	8.3%
Penalties and interest on taxes.....	824,950	0.3%	(400,274)	-32.7%
Licenses, permits and fees.....	6,515,918	2.4%	1,690,924	35.0%
Intergovernmental.....	41,193,950	15.1%	1,970,755	5.0%
Charges for services.....	1,639,979	0.6%	260,785	18.9%
Fines and forfeitures.....	1,972,840	0.7%	4,521	0.2%
Investment income.....	3,055,801	1.1%	1,526,742	99.8%
Payments in lieu of taxes.....	418,202	0.2%	23,639	6.0%
Special assessments.....	55,807	0.0%	55,807	
Miscellaneous.....	716,669	0.3%	482,847	206.5%
Total revenues.....	268,917,975	98.7%	13,138,156	5.1%
Premium from issuance of bonds/notes.....	293,090	0.1%	(113,372)	-27.9%
Sale of capital assets.....	16,613	0.0%	16,613	
Transfers from other funds.....	3,350,924	1.2%	(37,262)	-1.1%
Total revenues and other financing sources.....	\$ 272,578,602	100.0%	\$ 13,004,135	5.3%

Property tax growth of 4% resulted from a combination of the 2.5% annual increase allowed in the levy under Proposition 2½ and \$2.2 million in “new growth.” Interest and penalty income declined as a result of the fact that the City was not able to reclassify prior year uncollected taxes to tax title status during the year.

Motor vehicle excise tax revenue declined slightly from the prior year experience as a result of more timely billings and collections. Building permit revenue growth, principally related to improvements at the Newton-Wellesley Hospital; the development of the Woodland MBTA train station site; and the Avalon-Chestnut Hill residential development, accounted for the growth in license and permit revenue and the upward trend in interest rates account for the positive change in investment income revenue.

Total general fund expenditures and transfers to other funds totaled \$266.1 million, an increase of \$3.1 million or 1.2% over the previous fiscal year.

	Amount	% of Total	Increase/ (Decrease)	% Change
General government.....	\$ 12,142,202	4.6%	\$ (387,573)	-3.1%
Public safety.....	30,661,527	11.5%	(597,818)	-1.9%
Education.....	134,156,149	50.3%	3,570,897	2.7%
Public works.....	18,845,176	7.1%	(1,881,656)	-9.1%
Health and human services.....	3,133,401	1.2%	(7,026)	-0.2%
Culture and recreation.....	9,823,174	3.7%	(225,478)	-2.2%
Retirement benefits.....	39,366,562	14.8%	2,723,016	7.4%
Workers' compensation insurance.....	1,351,353	0.5%	28,483	2.2%
Property and liability insurance.....	269,768	0.1%	(4,285)	-1.6%
Claims and judgments.....	214,058	0.1%	37,586	21.3%
State assessments and charges.....	5,209,013	2.0%	163,230	3.2%
Debt service				
Principal.....	4,795,500	1.8%	177,300	3.8%
Interest.....	2,050,370	0.8%	(307,096)	-13.0%
Total expenditures.....	262,018,253	98.5%	3,289,580	1.4%
Transfers to other funds.....	4,087,944	1.5%	(221,831)	-5.1%
Total expenditures and transfers.....	\$ 266,106,197	100.0%	\$ 3,067,749	1.2%

Education spending increased by \$3.6 million and accounted for 50.4% of total General Fund expenditures and transfers for the year. This level of expenditures and expenditure growth is a reflection of the priority that the City places on public education services.

Retirement benefits (including post retirement health and life) expenditures increased by \$2.7 million. Massachusetts Teachers' Retirement System on-behalf contributions account for \$1.2 million or 44.4% of the growth in retirement expenditures, while Newton Contributory Retirement System funding increased by \$500,000 and retiree health and life insurance benefit costs grew by slightly more than \$1 million.

As discussed earlier in this report, Public works expenditures declined in 2006 as a result of lesser demands for snow and ice control activities during the winter months.

The voters of the City elected to implement the Community Preservation Act (CPA), with a 1% surcharge on all real estate tax bills, in November 2001. During the fiscal year ended June 30, 2006, the City realized \$4.2 million in CPA fund revenue, half of which came from property tax surcharges and the other half from the Commonwealth of Massachusetts matching funds for property tax surcharges billed during the previous fiscal year. Fund expenditures totaled \$5.8 million for the year, \$3.6 million of which was for community housing activities; \$900,000 of which was for open space acquisition activities; \$700,000 was for historic preservation; \$500,000 of which was for community recreation; and the balance was for program administration. A detailed accounting of fund expenditures, classified by the statutory purposes for which CPA funds may be expended is included on pages 94-98.

The high school improvements fund ended fiscal year 2006 with a negative fund balance of \$10.5 million, an improvement of \$6.8 million from the previous fiscal year, due to the fact that \$10.3 million in bonds were sold during the year for the Newton South High School project. A total of \$12.1 in bond anticipation notes were outstanding at June 30, 2006, \$8.3 million of which were related to Newton South High School renovations and the balance for planning for the construction of the new Newton North High School.

Proprietary funds - The City's proprietary funds provide the same information found in the government-wide statements, but in slightly more detail. Total net assets amounted to \$29.1 million for the sewer fund; \$24.6 million for the water fund; and \$1.9 million for the Newton commonwealth golf fund. Restricted proprietary net assets represent capital grant funds whose purposes are restricted for improvements to the physical infrastructure of the City's water and sewer systems. Proprietary fund net assets invested in capital assets, net of related debt represents principally the City's water supply and distribution system and the sanitary sewer collection system.

Water and sewer utility operating activity for the year was in line with City plans for the utilities. Sewer fund total net assets increased by \$841,091 (3%). Water fund total net assets increased by \$2.7 million (12%). Golf fund total net assets increased by \$311,495 (19%).

Fiduciary funds – The net assets of the City's contributory retirement system increased by \$7.3 (3%) to \$246.8 million during the system's fiscal year that ended December 31, 2005.

The composite investment return for this period was 6.7%, below both the 8% target actuarial return assumption, and the average annual return of 13.2% over the past three year period; and 9.0% over the past 10 year period. As a result the combination of lower than expected investment returns and unexpected mortality losses, funded status of the plan declined from 67.6% at January 1, 2005 to 66.2% at January 1, 2006.

Information on the City's Retirement System funding progress and the major assumptions used for purposes of the most recent actuarial valuation may be found on page 58 of this report.

General Fund Budgetary Highlights:

The difference between the original General Fund budget of \$247.4 million and the final amended budget of \$252.9 million amounts to 2.3% and can be summarized as follows:

Description	Amount
Snow and ice control	\$ 1,335,087
Public safety salaries	230,276
Energy - municipal departments	120,000
Energy - school department	430,000
Legal	107,500
Debt service and issuance costs	458,625
Other municipal operating	200,920
Capital - municipal departments	559,620
Capital - school department	2,083,738
Total supplemental appropriations	\$ 5,525,766

Of this increase, \$2.1 million was funded with certified free cash (fund balance available for appropriation); \$2.6 million was funded with revenue in excess of available estimates at the time that the original budget was adopted; and the balance was funded with a combination of transfers from other funds.

It is the City's long standing policy to approach the annual budget in two cycles each year – one for operations and the other for capital purposes. For this reason, the \$2.6 million in pay-as-you-go capital outlay and improvement funding was not included in the original budget. Other supplemental appropriations were not anticipated at the time that the original budget was adopted.

Capital Asset and Debt Administration

Capital assets – The City's investment in capital assets for governmental and business-type activities, net of accumulated depreciation of \$134.6 million, as of June 30, 2006, amounts to \$247.9 million. The investment in capital assets includes land, buildings and improvements, equipment and machinery, infrastructure and construction in progress.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Land and improvements.....	\$ 17,099,071	\$ 17,099,071	\$ 561,832	\$ 601,295	\$ 17,660,903	\$ 17,700,366
Buildings and improvements.....	128,705,376	128,619,940	2,754,626	2,831,846	131,460,002	131,451,786
Machinery and equipment.....	12,107,410	12,612,357	2,427,891	2,237,067	14,535,301	14,849,424
Infrastructure.....	33,810,089	33,831,641	45,798,088	44,062,532	79,608,177	77,894,173
Construction in progress.....	4,601,819	2,818,956	-	-	4,601,819	2,818,956
Total capital assets.....	<u>\$ 196,323,765</u>	<u>\$ 194,981,965</u>	<u>\$ 51,542,437</u>	<u>\$ 49,732,740</u>	<u>\$ 247,866,202</u>	<u>\$ 244,714,705</u>

Total capital assets, net of accumulated depreciation, increased by \$3.2 million or 1.3%. Major capital asset events during 2006 included the following:

- Business-type activity net capital assets increased by \$1.8 due to water system improvements.
- Governmental activity capital assets (net) increased by \$1.4 million due to preliminary design planning for the new Newton North High School.

Additional information on the City's capital assets may be found in Note 5 on pages 46 – 48 of this report.

Debt outstanding – At June 30, 2006, the City had total long and short-term debt outstanding of \$82.9 million, \$59.6 million for governmental activities and \$23.3 million for business-type activities. The governmental activity debt includes \$44.9 million in bonds; a \$2.6 million state pension benefit loan; and \$12.1 million in bond anticipation notes. All debt is a general obligation of the City, although water and sewer debt service payments are made from the resources of the enterprise funds and community preservation fund project debt service payments are made from resources of the community preservation fund.

City of Newton, Massachusetts
General Obligation Bonds and Notes Outstanding – by Purpose

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2006	2005	2006	2005	2006	2005
Education buildings.....	\$ 47,732,750	\$ 78,273,750	\$ -	\$ -	\$ 47,732,750	\$ 78,273,750
Municipal buildings.....	-	-	-	-	-	-
Departmental equipment.....	1,737,000	-	-	-	1,737,000	-
Landfill closure.....	1,821,100	1,941,600	-	-	1,821,100	1,941,600
Street reconstruction.....	524,000	-	-	-	524,000	-
Land acquisition.....	5,200,000	6,000,000	-	-	5,200,000	6,000,000
State pension funding loan.....	2,600,000	2,600,000	-	-	2,600,000	2,600,000
Water system.....	-	-	11,727,085	10,464,076	11,727,085	10,464,076
Sanitary sewer system.....	-	-	11,608,039	12,429,373	11,608,039	12,429,373
Total bonds and notes.....	<u>\$ 59,614,850</u>	<u>\$ 88,815,350</u>	<u>\$ 23,335,124</u>	<u>\$ 22,893,449</u>	<u>\$ 82,949,974</u>	<u>\$ 111,708,799</u>

During the year just ended, the City added \$16.5 million in new bonds and retired \$37.5 million in high school bond anticipation notes and \$7.8 million in existing bonds. General fund interest and principal payments amounted to \$6.8 million or 2.5% of fund revenues and other financing sources. Community Preservation Fund interest and principal payments amounted to \$964,800 or 22.8% of fund revenues.

All existing long term debt, except for the 2005 and 2006 high school improvement bonds and, subsidized landfill closure and sanitary sewer obligations to the Massachusetts Water Pollution Abatement Trust, will be retired within the next ten years. All of the City's debt will be repaid in full by the year 2026.

At June 30, 2006 the City's authorized and unissued long term debt amounted to \$54.1 million, a decrease of \$37.5 million or 41% from June 30, 2005. The primary reason for the decline in authorized and unissued debt is that during fiscal year 2006 the City rescinded \$36.5 million in authorizations for the renovation of the Newton North High School. Design work is currently under way for a new Newton North High School. A new construction bond authorization will be necessary at the point that design is complete.

The City's bonds are rated Aaa by Moody's Investor Services Inc.

Additional information on the City's long-term debt can be found in Note 8 on pages 50 – 55 of this report.

Economic Factors and Next Year's Budget and Rates

- According to the U.S. Census Bureau, the median family income for the City for calendar year 2000 was \$105,289. This compares with the state and national median family incomes of \$61,664 and \$50,046, respectively. The City's 2000 per capita income was \$45,708, compared with \$25,952 for the state and \$21,587 for the nation as a whole.
- According to the Commonwealth of Massachusetts Division of Unemployment Assistance, the unemployment rate for the City for the most recent 13 month period was 3.0%, which also compares with state unemployment rate of 4.2% .
- According to the City's Board of Assessors, the average 2006 single family home in Newton was valued at \$787,736 (median value is \$684,750); the average two-family home is valued at \$636,831 (median value is \$611,500); the average commercial property is valued at \$1,894,807 (median value is \$652,700); and the average industrial property is valued at \$1,882,424 (median value is \$749,900).

The Mayor and Board of Aldermen have approved a fiscal year 2007 general fund operating budget of \$262.5 million. This represents a \$9.6 million or 3.8% increase from the final fiscal year 2006 budget.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Comptroller, City of Newton, 1000 Commonwealth Avenue, Newton, Massachusetts 02459 or dwilkinson@newtonma.gov.

Basic Financial Statements

**CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF NET ASSETS**

JUNE 30, 2006

	Primary Government			Component Unit (as of 06/30/05)
	Governmental Activities	Business-type Activities	Total	Newton Schools Foundation, Inc.
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 64,809,783	\$ 7,540,477	\$ 72,350,260	\$ 76,249
Restricted cash and cash equivalents.....	2,616,626	364,790	2,981,416	
Investments.....	7,620,286	-	7,620,286	1,230,673
Interest and dividends.....	459,341	-	459,341	-
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	4,379,914	-	4,379,914	-
Tax and utility liens.....	1,509,534	283,417	1,792,951	-
Motor vehicle excise.....	777,857	-	777,857	-
Community preservation surcharges.....	64,376	-	64,376	-
Charges for service.....	497,935	9,046,939	9,544,874	-
Departmental and other.....	978,172	-	978,172	-
Intergovernmental.....	5,788,630	144,080	5,932,710	-
Special assessments.....	6,514	632	7,146	-
Loans.....	162,758	-	162,758	-
Notes.....	1,100,000	-	1,100,000	-
Structured settlement contract.....	2,850,000	-	2,850,000	-
Other assets.....	2,724	-	2,724	40,356
Prepaid expenses.....	-	14,649	14,649	-
Working capital deposit.....	347,717	-	347,717	-
Total current assets.....	93,972,167	17,394,984	111,367,151	1,347,278
Noncurrent assets:				
Restricted cash and cash equivalents.....	10,098,457	8,347,566	18,446,023	-
Restricted investments.....	911,186	-	911,186	-
Receivables, net of allowance for uncollectibles:				
Real estate tax deferrals.....	2,100,394	-	2,100,394	-
Departmental and other.....	3,860,426	-	3,860,426	-
Intergovernmental.....	14,808,536	3,053,679	17,862,215	-
Special assessments.....	368,562	113,830	482,392	-
Loans.....	3,341,650	-	3,341,650	-
Capital assets:				
Nondepreciable.....	21,700,890	284,785	21,985,675	
Depreciable, net of accumulated depreciation.....	174,622,875	51,257,652	225,880,527	1,625
Total noncurrent assets.....	231,812,976	63,057,512	294,870,488	1,625
Total assets.....	325,785,143	80,452,496	406,237,639	1,348,903
LIABILITIES				
Current liabilities:				
Warrants payable.....	4,197,038	212,013	4,409,051	153,302
Accrued liabilities.....	3,763,039	301,550	4,064,589	
Accrued payroll.....	10,361,367	20,474	10,381,841	-
Revenue refunds payable.....	2,529,598	-	2,529,598	-
Health claims payable.....	5,962,403	-	5,962,403	-
Other liabilities.....	162,093	105,484	267,577	-
Accrued interest.....	779,633	228,999	1,008,632	-
Abandoned property.....	891,166	-	891,166	-
Liabilities payable from restricted assets.....	736,659	364,790	1,101,449	-
Bond anticipation notes payable.....	12,060,000	-	12,060,000	-
Bonds payable.....	8,472,050	2,486,579	10,958,629	-
Landfill closure and other environmental liabilities.....	143,400	-	143,400	-
Compensated absences.....	2,398,457	28,646	2,427,103	-
Workers' compensation benefits.....	994,000	-	994,000	-
Claims & judgments.....	83,380	-	83,380	-
Total current liabilities.....	53,534,283	3,748,535	57,282,818	153,302

CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF NET ASSETS (Continued)

JUNE 30, 2006

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		(as of 06/30/05)
				Newton Schools
				Foundation, Inc.
Noncurrent liabilities:				
Bonds payable.....	39,082,800	20,848,545	59,931,345	-
Landfill closure and other environmental liabilities.....	1,066,400	-	1,066,400	-
Compensated absences.....	5,906,518	257,808	6,164,326	-
Workers' compensation benefits.....	5,248,105	-	5,248,105	-
Claims & judgments.....	40,000	-	40,000	-
Total noncurrent liabilities.....	51,343,823	21,106,353	72,450,176	-
Total liabilities.....	104,878,106	24,854,888	129,732,994	153,302
NET ASSETS				
Invested in capital assets, net of related debt.....	153,034,916	31,405,072	184,439,988	1,625
Restricted for:				
Water & sewer system improvements.....	-	660,238	660,238	-
Community development activities.....	3,642,058	-	3,642,058	-
Community preservation activities.....	8,613,942	-	8,613,942	-
Education activities.....	345,610	-	345,610	-
Perpetual funds:				
Expendable.....	874,461	-	874,461	-
Nonexpendable.....	399,749	-	399,749	-
Other specific purposes.....	1,540,557	-	1,540,557	-
Unrestricted.....	52,455,744	23,532,298	75,988,042	1,193,976
Total net assets.....	\$ 220,907,037	\$ 55,597,608	\$ 276,504,645	\$ 1,195,601

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues				Net (Expense)/ Revenue
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government						
Legislative & executive.....	\$ 2,104,068	\$ 807,801	\$ 25,044	\$ -	\$ (1,271,223)	
Elections.....	717,244	3,880	-	-	(713,364)	
Financial administration.....	3,563,129	182,970	-	-	(3,380,159)	
Administrative support.....	4,065,602	282,223	3,754	-	(3,779,625)	
Planning & development.....	10,274,902	310,156	4,551,668	-	(5,413,078)	
Public building maintenance & operation.....	4,185,392	8,899	499,187	-	(3,677,306)	
Public safety						
Police.....	22,974,206	3,956,824	847,287	-	(18,170,095)	
Fire.....	18,797,357	741,455	33,884	-	(18,022,018)	
Inspectional services.....	1,209,948	5,757,125	-	-	4,547,177	
Other public safety.....	80,741	20,133	-	-	(60,608)	
Education.....	181,638,581	6,081,349	42,277,040	-	(133,280,192)	
Public works						
Streets & sidewalks.....	11,116,432	1,430,325	-	524,492	(9,161,615)	
Control of snow & ice.....	2,371,245	-	-	-	(2,371,245)	
Collection & disposal of solid waste.....	6,751,352	29,585	47,905	-	(6,673,862)	
Engineering.....	1,427,388	30,380	65	-	(1,396,943)	
Health & human services						
Public health.....	7,987,917	127,932	227,414	-	(7,632,571)	
Human services.....	747,563	8,547	309,192	-	(429,824)	
Veteran services.....	243,929	-	115,073	-	(128,856)	
Culture and recreation						
Libraries.....	6,373,873	171,208	480,823	-	(5,721,842)	
Parks & recreation.....	7,152,229	1,348,115	233,072	117,823	(5,453,219)	
Newton History museum.....	276,232	-	7,129	-	(269,103)	
Debt service - interest.....	2,350,756	-	975,939	-	(1,374,817)	
Total governmental activities.....	296,410,086	21,298,907	50,634,476	642,315	(223,834,388)	
Business-type activities:						
Water.....	10,939,117	14,051,418	368,147	277,095	3,757,543	
Sewer.....	18,404,780	18,930,487	470,094	51,910	1,047,711	
Newton Commonwealth Golf Course.....	164,470	328,428	147,537	-	311,495	
Total business-type activities.....	29,508,367	33,310,333	985,778	329,005	5,116,749	
Total Primary Government.....	\$ 325,918,453	\$ 54,609,240	\$ 51,620,254	\$ 971,320	\$ (218,717,639)	
Component unit (as of 06/30/05):						
Newton Schools Foundation, Inc.....	\$ 435,681	\$ -	\$ 572,663	\$ -	\$ 136,982	

**CITY OF NEWTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES (Continued)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Primary Government			Component Unit (as of 06/30/05)
	Governmental Activities	Business-type Activities	Total	
Changes in net assets:				
Net (expense)/revenue (from previous page).....	\$ (223,834,388)	\$ 5,116,749	\$ (218,717,639)	\$ 136,982
<i>General revenues:</i>				
Real estate and personal property taxes:				
levied for general purposes.....	200,966,839	-	200,966,839	-
Real estate and personal property taxes,				
levied for community preservation purposes.....	1,963,982	-	1,963,982	-
Motor vehicle and other excise taxes.....	10,803,654	-	10,803,654	-
Hotel room occupancy taxes.....	1,060,052	-	1,060,052	-
Penalties and interest on taxes.....	830,030	-	830,030	-
Payments in lieu of taxes.....	553,920	-	553,920	-
Grants and contributions not restricted to				
specific programs.....	8,353,727	-	8,353,727	-
Unrestricted investment income.....	3,290,981	-	3,290,981	-
Gain on sale of assets.....	10,702	-	10,702	-
Other.....	1,133,664	-	1,133,664	-
<i>Transfers, net</i>	1,278,128	(1,278,128)	-	-
Total general revenues and transfers.....	230,245,679	(1,278,128)	228,967,551	-
Change in net assets.....	6,411,291	3,838,621	10,249,912	136,982
Net assets - beginning of year.....	214,495,746	51,758,987	266,254,733	1,058,619
Net assets - end of year.....	\$ 220,907,037	\$ 55,597,608	\$ 276,504,645	\$ 1,195,601

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2006

ASSETS	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 35,807,829	\$ -	\$ -	\$ 18,650,791	\$ 54,458,620
Interest and dividends.....	-	-	-	459,341	459,341
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes.....	4,379,914	-	-	-	4,379,914
Real estate tax deferrals.....	2,100,394	-	-	-	2,100,394
Tax and utility liens.....	1,509,534	-	-	-	1,509,534
Motor vehicle excise.....	777,857	-	-	-	777,857
Community preservation surcharges.....	-	64,376	-	-	64,376
Charges for services.....	41,934	-	-	456,001	497,935
Departmental and other.....	4,812,911	-	-	11,313	4,824,224
Intergovernmental.....	8,209,620	2,091,806	8,707,753	1,587,987	20,597,166
Special assessments.....	375,076	-	-	-	375,076
Structured settlement contract.....	2,850,000	-	-	-	2,850,000
Notes.....	-	1,100,000	-	-	1,100,000
Loans.....	-	-	-	3,504,408	3,504,408
Due from other funds.....	716,727	-	-	-	716,727
Other assets.....	724	-	-	2,000	2,724
Restricted assets:					
Cash and cash equivalents.....	705,286	5,416,384	3,493,666	3,099,747	12,715,083
Investments.....	-	-	-	911,186	911,186
TOTAL ASSETS.....	\$ 62,287,806	\$ 8,672,566	\$ 12,201,419	\$ 28,682,774	\$ 111,844,565
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 3,302,388	\$ 9,903	\$ 76,739	\$ 784,529	\$ 4,173,559
Accrued liabilities.....	1,077,505	48,721	1,896,238	585,303	3,607,767
Accrued payroll.....	9,571,432	-	-	724,935	10,296,367
Revenue refunds payable.....	2,529,598	-	-	-	2,529,598
Other liabilities.....	162,093	-	-	-	162,093
Abandoned property.....	891,166	-	-	-	891,166
Liabilities due depositors.....	705,286	-	-	31,373	736,659
Deferred revenue.....	23,552,741	3,119,370	8,707,753	666,417	36,046,281
Due to other funds.....	-	-	-	716,727	716,727
Accrued short-term interest.....	200,725	-	-	-	200,725
Notes payable.....	-	-	12,060,000	-	12,060,000
TOTAL LIABILITIES.....	41,992,934	3,177,994	22,740,730	3,509,284	71,420,942
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations.....	5,640,444	4,688,077	-	-	10,328,521
Loans.....	-	-	-	3,504,408	3,504,408
Perpetual permanent funds.....	-	-	-	399,749	399,749
Other specific purposes.....	-	-	-	1,886,167	1,886,167
Unreserved:					
Designated for subsequent year's expenditures.....	1,700,000	-	-	-	1,700,000
Undesignated, reported in:					
General fund.....	12,954,428	-	-	-	12,954,428
Special revenue funds.....	-	806,495	-	6,519,247	7,325,742
Capital projects funds.....	-	-	(10,539,311)	11,989,458	1,450,147
Permanent funds.....	-	-	-	874,461	874,461
TOTAL FUND BALANCES.....	20,294,872	5,494,572	(10,539,311)	25,173,490	40,423,623
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 62,287,806	\$ 8,672,566	\$ 12,201,419	\$ 28,682,774	\$ 111,844,565

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Total governmental fund balances (page 19).....	\$ 40,423,623
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	196,323,765
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....	36,046,281
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....	(578,908)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and notes payable.....	(47,554,850)
Court judgments.....	(123,380)
Landfill closure and other environmental liabilities.....	(1,209,800)
Compensated absences.....	(8,304,975)
Internal service funds are used by management to account for health insurance, workers' compensation, building insurance and liability insurance activities. The assets and liabilities of the internal service funds are reported as governmental activities in the statement of net assets.....	5,885,281
Net assets of governmental activities (page 16).....	\$ <u>220,907,037</u>

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General	Community Preservation	High School Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real estate and personal property taxes.....	\$ 200,165,525	\$ -	\$ -	\$ -	\$ 200,165,525
Motor vehicle excise taxes.....	11,298,282	-	-	-	11,298,282
Hotel room occupancy taxes.....	1,060,052	-	-	-	1,060,052
Community preservation surcharges.....	-	1,978,999	-	-	1,978,999
Penalties and interest on taxes.....	824,950	5,080	-	-	830,030
Licenses, permits and fees.....	6,515,918	-	-	656,086	7,172,004
Intergovernmental	41,193,950	2,017,149	-	17,055,895	60,266,994
Charges for services.....	1,639,979	-	-	10,255,207	11,895,186
Fines and forfeitures.....	1,972,840	-	-	29,566	2,002,406
Investment income.....	3,055,801	235,180	-	176,396	3,467,377
Contributions and donations.....	-	-	-	1,187,036	1,187,036
Payments in lieu of taxes.....	418,202	-	-	-	418,202
Miscellaneous.....	716,669	-	-	513,545	1,230,214
Special assessments.....	55,807	-	-	40,033	95,840
TOTAL REVENUES.....	268,917,975	4,236,408	-	29,913,764	303,068,147
EXPENDITURES					
Current:					
General government:					
Legislative & executive.....	1,666,316	-	-	-	1,666,316
Elections.....	564,404	-	-	5,375	569,779
Financial administration.....	2,946,055	-	-	-	2,946,055
Administrative support.....	3,275,855	-	-	6,838	3,282,693
Planning & development.....	991,589	3,967,005	-	4,895,301	9,853,895
Public building maintenance & operations.....	2,697,983	345,276	-	610,503	3,653,762
Public safety:					
Police.....	15,919,497	-	-	2,270,658	18,190,155
Fire.....	13,726,714	-	-	273,340	14,000,054
Inspectional services.....	937,205	-	-	2,365	939,570
Other public safety.....	78,111	-	-	-	78,111
Education.....	134,156,149	11,848	3,466,717	19,584,932	157,219,646
Public works:					
Streets & sidewalks.....	6,221,567	-	-	1,161,069	7,382,636
Control of snow & ice.....	2,035,242	-	-	-	2,035,242
Collection & disposal of solid waste.....	6,072,510	-	-	38,586	6,111,096
Vehicle maintenance.....	2,063,155	-	-	-	2,063,155
Engineering.....	1,031,955	-	-	29,705	1,061,660
Administration & support.....	1,420,747	-	-	-	1,420,747
Health and human services:					
Public health.....	2,460,430	-	-	208,191	2,668,621
Human services.....	490,368	-	-	253,374	743,742
Veteran services.....	182,603	-	-	-	182,603
Culture and recreation:					
Libraries.....	4,896,914	-	-	548,716	5,445,630
Parks & recreation.....	4,726,823	449,151	-	1,285,358	6,461,332
Newton History museum.....	199,437	46,651	-	3,513	249,601
Retirement benefits.....	39,366,562	-	-	-	39,366,562
Workers' compensation insurance.....	1,351,353	-	-	-	1,351,353
Property and liability insurance.....	269,768	-	-	-	269,768
Claims and judgments.....	214,058	-	-	-	214,058
State assessments & charges.....	5,209,013	-	-	-	5,209,013
Debt service:					
Principal.....	4,795,500	800,000	-	-	5,595,500
Interest.....	2,050,370	164,800	-	-	2,215,170
TOTAL EXPENDITURES.....	262,018,253	5,784,731	3,466,717	31,177,824	302,447,525
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	6,899,722	(1,548,323)	(3,466,717)	(1,264,060)	620,622
OTHER FINANCING SOURCES (USES)					
Transfers in.....	3,350,924	-	-	4,844,357	8,195,281
Issuance of general obligation bonds.....	-	-	10,260,000	3,575,000	13,835,000
Premium from issuance of bonds and notes.....	293,090	-	-	-	293,090
Sale of capital assets.....	16,613	-	-	9,833	26,446
Transfers out.....	(4,087,944)	(30,000)	-	(2,521,627)	(6,639,571)
TOTAL OTHER FINANCING SOURCES (USES).....	(427,317)	(30,000)	10,260,000	5,907,563	15,710,246
NET CHANGE IN FUND BALANCES.....	6,472,405	(1,578,323)	6,793,283	4,643,503	16,330,868
FUND BALANCES AT BEGINNING OF YEAR.....	13,822,467	7,072,895	(17,332,594)	20,529,987	24,092,755
FUND BALANCES AT END OF YEAR.....	\$ 20,294,872	\$ 5,494,572	\$ (10,539,311)	\$ 25,173,490	\$ 40,423,623

CITY OF NEWTON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 21).....	\$ 16,330,868
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital outlays.....	9,677,260
Depreciation.....	(8,319,716)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(1,732,849)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Bond proceeds.....	(13,835,000)
Bond maturities.....	5,595,500
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>	
	(135,586)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes in accruals:</p>	
Claims & judgments.....	145,372
Landfill closure and other environmental liabilities.....	103,400
Compensated absences.....	(47,839)
<p>Internal service funds are used by management to account for health insurance, workers' compensation, building insurance and liability insurance activities. The net activity of the internal service funds is reported with governmental activities.....</p>	
	(1,354,375)
Changes in net assets of governmental activities (page 18).....	\$ <u><u>6,411,291</u></u>

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Real estate and personal property taxes.....	\$ 197,978,128	\$ 198,431,418	\$ 200,233,920	\$ 1,802,502
Motor vehicle excise taxes.....	10,814,399	11,014,399	10,750,648	(263,751)
Hotel room occupancy taxes.....	1,127,752	1,061,324	1,060,052	(1,272)
Penalties and interest on taxes.....	957,072	957,072	824,950	(132,122)
Licenses, permits and fees.....	3,095,452	3,101,880	6,515,918	3,414,038
Intergovernmental.....	18,107,881	20,147,887	20,125,098	(22,789)
Charges for services.....	1,629,293	1,396,593	1,639,979	243,386
Fines and forfeitures.....	1,900,512	1,900,512	1,972,840	72,328
Investment income.....	1,350,000	1,400,000	3,055,801	1,655,801
Payments in lieu of taxes.....	340,010	385,010	418,202	33,192
Miscellaneous.....	385,870	542,036	716,669	174,633
Special assessments.....	27,478	25,178	55,808	30,630
TOTAL REVENUES.....	237,713,847	240,363,309	247,369,885	7,006,576
EXPENDITURES				
Current:				
General government:				
Legislative & executive.....	1,621,513	1,729,346	1,666,316	63,030
Elections.....	595,335	604,728	564,404	40,324
Financial administration.....	3,480,510	3,605,477	2,946,055	659,422
Administrative support.....	3,945,817	4,223,643	3,376,581	847,062
Planning & development.....	1,008,981	1,084,625	998,296	86,329
Public building maintenance & operations.....	2,860,852	3,153,237	2,688,088	465,149
Public safety:				
Police.....	14,924,604	16,174,820	16,104,484	70,336
Fire.....	13,254,334	13,574,787	13,249,445	325,342
Inspectional services.....	933,112	1,025,329	950,383	74,946
Other public safety.....	79,495	81,873	78,111	3,762
Education.....	137,589,369	135,890,480	134,156,149	1,734,331
Public works:				
Streets & sidewalks.....	6,897,045	6,894,753	6,541,593	353,160
Control of snow & ice.....	920,840	2,103,697	2,102,673	1,024
Collection & disposal of solid waste.....	5,956,117	6,189,218	6,110,375	78,843
Vehicle maintenance.....	1,944,108	2,068,928	2,063,155	5,773
Engineering.....	1,046,347	1,054,919	1,049,504	5,415
Administration & support.....	1,212,289	1,457,401	1,420,747	36,654
Health and human services:				
Public health.....	2,441,508	2,592,640	2,483,484	109,156
Human services.....	488,082	500,593	490,368	10,225
Veteran services.....	181,899	188,349	182,603	5,746
Culture and recreation:				
Libraries.....	4,636,486	4,929,213	4,907,277	21,936
Parks & recreation.....	4,305,211	5,133,632	4,800,211	333,421
Newton History museum.....	214,445	227,029	199,437	27,592
Retirement benefits.....	18,496,021	18,531,250	18,525,151	6,099
Workers' compensation insurance.....	822,870	1,351,353	1,351,353	-
Property and liability insurance.....	269,768	269,768	269,768	-
Claims and judgments.....	214,058	214,058	214,058	-
Reserve fund.....	5,059,670	1,477,445	-	1,477,445
Other.....	50,000	50,000	-	50,000
State assessments & charges.....	5,061,806	5,154,100	5,209,013	(54,913)
Debt service:				
Principal.....	4,768,214	4,768,214	4,768,214	-
Interest.....	2,063,174	2,476,797	2,476,797	-
TOTAL EXPENDITURES.....	247,343,880	248,781,702	241,944,093	6,837,609
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES.....	(9,630,033)	(8,418,393)	5,425,792	13,844,185
OTHER FINANCING SOURCES (USES)				
Transfers in.....	2,518,830	3,348,924	3,350,924	2,000
Premium from issuance of bonds and notes.....	-	-	293,090	293,090
Sale of capital assets.....	-	-	16,613	16,613
Transfers out.....	(2,000)	(4,089,944)	(4,087,944)	2,000
TOTAL OTHER FINANCING SOURCES (USES).....	2,516,830	(741,020)	(427,317)	313,703
NET CHANGE IN FUND BALANCE.....	(7,113,203)	(9,159,413)	4,998,475	14,157,888
FUND BALANCE AT BEGINNING OF YEAR.....	19,740,278	19,740,278	19,740,278	-
FUND BALANCE AT END OF YEAR.....	\$ 12,627,075	\$ 10,580,865	\$ 24,738,753	\$ 14,157,888

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget Positive/ (Negative)
REVENUES				
Community preservation surcharges.....	\$ 1,146,927	\$ 1,146,927	\$ 1,978,999	\$ 832,072
Penalties and interest on taxes.....	-	-	5,080	5,080
Intergovernmental	-	1,899,326	2,017,149	117,823
Investment income.....	-	-	235,180	235,180
TOTAL REVENUES	1,146,927	3,046,253	4,236,408	1,190,155
EXPENDITURES				
Current:				
General government:				
Planning & development.....	3,277,097	6,349,558	3,967,005	2,382,553
Public building maintenance & operations.....	340,709	732,934	345,276	387,658
Education.....	60,971	60,898	11,848	49,050
Public works:				
Streets & sidewalks.....	-	25,100	-	25,100
Health and human services:				
Human services.....	271,210	271,210	-	271,210
Culture and recreation:				
Parks & recreation.....	678,612	1,634,719	449,151	1,185,568
Newton History museum.....	410,956	470,956	46,651	424,305
Reserve fund.....	-	121,625	-	121,625
Debt service:				
Principal.....	800,000	800,000	800,000	-
Interest.....	164,800	164,800	164,800	-
TOTAL EXPENDITURES	6,004,355	10,631,800	5,784,731	4,847,069
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,857,428)	(7,585,547)	(1,548,323)	6,037,224
OTHER FINANCING SOURCES (USES)				
Operating transfers out.....	(30,000)	(30,000)	(30,000)	-
NET CHANGE IN FUND BALANCE	(4,887,428)	(7,615,547)	(1,578,323)	6,037,224
FUND BALANCE AT BEGINNING OF YEAR	7,072,895	7,072,895	7,072,895	-
FUND BALANCE AT END OF YEAR	\$ 2,185,467	\$ (542,652)	\$ 5,494,572	\$ 6,037,224

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF FUND NET ASSETS

JUNE 30, 2006

	Business-Type Activities - Enterprise Fund				Governmental
	Newton				Activities -
	Commonwealth				Internal
	Golf Fund				Service
	(as of 12/31/2005)				Funds
	Sewer	Water		Total	
ASSETS					
Current assets:					
Cash and cash equivalents.....	\$ 1,789,106	\$ 4,162,504	\$ 1,588,867	\$ 7,540,477	\$ 10,351,163
Restricted cash and cash equivalents.....	200,424	164,366	-	364,790	-
Investments.....	-	-	-	-	7,620,286
Receivables, net of allowance for uncollectibles:					
Charges for service.....	5,350,826	3,696,113	-	9,046,939	-
Utility liens.....	172,101	111,316	-	283,417	-
Special assessments.....	632	-	-	632	-
Departmental and other.....	-	-	-	-	14,374
Intergovernmental.....	144,080	-	-	144,080	-
Prepaid expenses.....	2,395	-	12,254	14,649	-
Working capital deposit.....	-	-	-	-	347,717
Total current assets.....	7,659,564	8,134,299	1,601,121	17,394,984	18,333,540
Noncurrent assets:					
Restricted cash and cash equivalents.....	320,634	8,026,932	-	8,347,566	-
Receivables, net of allowance for uncollectible amounts:					
Special assessments.....	113,830	-	-	113,830	-
Intergovernmental.....	3,053,679	-	-	3,053,679	-
Capital assets:					
Nondepreciable.....	26,245	258,540	-	284,785	-
Depreciable, net of accumulated depreciation.....	30,324,417	20,613,528	319,707	51,257,652	-
Total noncurrent assets.....	33,838,805	28,899,000	319,707	63,057,512	-
Total assets.....	41,498,369	37,033,299	1,920,828	80,452,496	18,333,540
LIABILITIES					
Current liabilities:					
Warrants payable.....	128,066	83,947	-	212,013	23,479
Accrued liabilities.....	29,589	271,961	-	301,550	155,272
Accrued payroll.....	14,290	6,184	-	20,474	65,000
Other liabilities.....	82,374	23,110	-	105,484	-
Liabilities payable from restricted assets.....	200,424	164,366	-	364,790	-
Accrued interest.....	227,917	1,082	-	228,999	-
Accrued health claims payable.....	-	-	-	-	5,962,403
Workers' compensation claims.....	-	-	-	-	994,000
Compensated absences.....	15,306	13,340	-	28,646	-
Long-term bonds and notes payable.....	904,967	1,581,612	-	2,486,579	-
Total current liabilities.....	1,602,933	2,145,602	-	3,748,535	7,200,154
Noncurrent liabilities:					
Workers' compensation claims.....	-	-	-	-	5,248,105
Compensated absences.....	137,752	120,056	-	257,808	-
Long-term bonds and notes payable.....	10,703,072	10,145,473	-	20,848,545	-
Total noncurrent liabilities.....	10,840,824	10,265,529	-	21,106,353	5,248,105
Total liabilities.....	12,443,757	12,411,131	-	24,854,888	12,448,259
FUND NET ASSETS					
Invested in capital assets, net of related debt.....	21,940,382	9,144,983	319,707	31,405,072	-
Restricted for:					
Water & sewer system improvements.....	36,532	623,706	-	660,238	-
Unrestricted.....	7,077,698	14,853,479	1,601,121	23,532,298	5,885,281
Total net assets.....	\$ 29,054,612	\$ 24,622,168	\$ 1,920,828	\$ 55,597,608	\$ 5,885,281

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Business-Type Activities - Enterprise Fund				Governmental
	Newton				Activities -
	Commonwealth				Internal
	Golf Fund				Service
	Sewer	Water	(as of 12/31/2005)	Total	Funds
OPERATING REVENUES					
Charges for services.....	\$ 18,394,894	\$ 13,712,690	\$ 328,428	\$ 32,436,012	\$ -
Utility liens.....	531,958	338,728	-	870,686	-
Special assessments.....	3,635	-	-	3,635	-
Penalties and interest.....	-	-	-	-	-
Employer contributions.....	-	-	-	-	31,053,321
Employee contributions.....	-	-	-	-	7,660,719
TOTAL OPERATING REVENUES.....	18,930,487	14,051,418	328,428	33,310,333	38,714,040
OPERATING EXPENSES					
Salaries, wages and employee benefits.....	2,164,222	1,995,579	65,017	4,224,818	-
Other operating expenses.....	732,237	467,277	50,000	1,249,514	2,686,153
MWRA assessment.....	13,884,034	7,383,431	-	21,267,465	-
Workers' compensation.....	100,837	142,857	-	243,694	-
Self insurance claims.....	-	-	-	-	37,851,803
Depreciation.....	921,526	579,678	49,453	1,550,657	-
TOTAL OPERATING EXPENSES.....	17,802,856	10,568,822	164,470	28,536,148	40,537,956
OPERATING INCOME (LOSS).....	1,127,631	3,482,596	163,958	4,774,185	(1,823,916)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental.....	513,069	368,147	117,500	998,716	-
Investment income.....	8,935	277,095	30,037	316,067	747,123
Interest expense.....	(601,924)	(370,295)	-	(972,219)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(79,920)	274,947	147,537	342,564	747,123
INCOME (LOSS) BEFORE TRANSFERS.....	1,047,711	3,757,543	311,495	5,116,749	(1,076,793)
TRANSFERS					
Transfers in.....	548,306	-	-	548,306	-
Transfers out.....	(754,926)	(1,071,508)	-	(1,826,434)	(277,582)
TOTAL TRANSFERS.....	(206,620)	(1,071,508)	-	(1,278,128)	(277,582)
CHANGE IN FUND NET ASSETS.....	841,091	2,686,035	311,495	3,838,621	(1,354,375)
FUND NET ASSETS AT BEGINNING OF YEAR.....	28,213,521	21,936,133	1,609,333	51,758,987	7,239,656
FUND NET ASSETS AT END OF YEAR.....	\$ 29,054,612	\$ 24,622,168	\$ 1,920,828	\$ 55,597,608	\$ 5,885,281

See notes to basic financial statements.

**CITY OF NEWTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Business-Type Business - Enterprise Fund				Governmental
	Newton Commonwealth Golf Fund (as of 12/31/2005)				Activities - Internal Service Funds
	Sewer	Water		Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users.....	\$ 18,722,992	\$ 13,548,398	\$ 318,511	\$ 32,589,901	\$ 7,660,719
Receipts from interfund services provided.....	-	-	-	-	31,038,948
Payments to vendors/providers.....	(15,435,307)	(8,710,404)	(173,802)	(24,319,513)	(39,462,364)
Payments to employees.....	(1,657,932)	(1,327,268)	-	(2,985,200)	-
NET CASH FROM OPERATING ACTIVITIES.....	1,629,753	3,510,726	144,709	5,285,188	(762,697)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in.....	548,306	-	-	548,306	-
Transfers out.....	(754,926)	(1,071,508)	-	(1,826,434)	(277,582)
Intergovernmental subsidy.....	-	-	117,500	117,500	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(206,620)	(1,071,508)	117,500	(1,160,628)	(277,582)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the issuance of bonds and notes.....	52,525	2,586,019	-	2,638,544	-
Acquisition and construction of capital assets.....	(569,352)	(2,788,622)	-	(3,357,974)	-
Principal payments on bonds and notes.....	(739,077)	(1,323,010)	-	(2,062,087)	-
Interest expense.....	(102,670)	(4,875)	-	(107,545)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,358,574)	(1,530,488)	-	(2,889,062)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments.....	-	-	-	-	511,449
Purchase of investments.....	-	-	-	-	(249,634)
Investment income.....	8,935	277,095	30,037	316,067	747,123
NET CASH FROM INVESTING ACTIVITIES.....	8,935	277,095	30,037	316,067	1,008,938
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	73,494	1,185,825	292,246	1,551,565	(31,341)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$671,913 and \$7,726,788 reported as restricted in the sewer and water enterprise funds, respectively).....	2,236,670	11,167,977	1,296,621	14,701,268	10,382,504
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$521,058 and \$8,191,298 reported as restricted in the sewer and water enterprise funds, respectively).....	\$ 2,310,164	\$ 12,353,802	\$ 1,588,867	\$ 16,252,833	\$ 10,351,163
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss).....	\$ 1,127,631	\$ 3,482,596	\$ 163,958	\$ 4,774,185	\$ (1,823,916)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	921,526	579,678	49,453	1,550,657	-
Changes in assets and liabilities:					
Utility liens.....	(30,820)	(26,584)	-	(57,404)	-
Water fees.....	-	(476,436)	-	(476,436)	-
Sewer fees.....	(195,269)	-	-	(195,269)	-
Special assessments.....	20,989	-	-	20,989	-
Departmental and other.....	-	-	-	-	(14,373)
Working capital deposit.....	-	-	-	-	(3,698)
Prepaid expenses.....	(2,395)	-	(9,917)	(12,312)	-
Warrants payable.....	2,498	(111,492)	(58,785)	(167,779)	(234,717)
Accrued liabilities.....	(61,231)	161,569	-	100,338	138,979
Accrued payroll.....	(68,705)	(90,337)	-	(159,042)	65,000
Other liabilities.....	(74,423)	(45,662)	-	(120,085)	-
Liabilities due depositors.....	(39,364)	41,412	-	2,048	-
Accrued health claims payable.....	-	-	-	-	730,097
Workers' compensation.....	-	-	-	-	379,931
Accrued compensated absences.....	29,316	(4,018)	-	25,298	-
Total adjustments.....	502,122	28,130	(19,249)	511,003	1,061,219
NET CASH FROM OPERATING ACTIVITIES	\$ 1,629,753	\$ 3,510,726	\$ 144,709	\$ 5,285,188	\$ (762,697)
NONCASH INVESTING, CAPITAL FINANCING ACTIVITIES					
Intergovernmental debt subsidies (MW/PAT and MWRA).....	\$ 604,876	\$ 365,767	\$ -	\$ 970,643	\$ -

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

ASSETS	Pension Trust Fund (As of 12/31/05)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 22,762,422	\$ 1,961,682	\$ 2,404,687
Investments	-	6,624,977	-
U.S. Government securities.....	8,630,719	-	-
Corporate bonds.....	19,363,002	-	-
Equities.....	153,478,167	-	-
Mutual bond funds.....	24,609,222	-	-
Real estate.....	17,390,081	-	-
Interest and dividends.....	545	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	938,281	-	-
Loans.....	-	135,761	-
Total assets.....	<u>247,172,439</u>	<u>8,722,420</u>	<u>2,404,687</u>
LIABILITIES			
Warrants payable.....	353,412	264	19,643
Payroll withholdings.....	-	-	1,879,741
Other liabilities.....	-	7,575	505,303
Total liabilities.....	<u>353,412</u>	<u>7,839</u>	<u>2,404,687</u>
NET ASSETS			
Held in trust for pension benefits and other purposes.....	<u>\$ 246,819,027</u>	<u>\$ 8,714,581</u>	<u>\$ -</u>

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Pension Trust Fund (As of 12/31/05)	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer.....	\$ 10,505,298	\$ -
Plan member.....	6,014,771	-
Private donations.....	-	232,796
	<u>16,520,069</u>	<u>232,796</u>
Total contributions.....		
	<u>16,520,069</u>	<u>232,796</u>
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	11,409,806	-
Interest.....	4,473,882	379,130
	<u>15,883,688</u>	<u>379,130</u>
Total investment income (loss).....		
	<u>15,883,688</u>	<u>379,130</u>
Less investment expense.....	(952,705)	-
	<u>14,930,983</u>	<u>379,130</u>
Net investment income (loss).....		
	<u>14,930,983</u>	<u>379,130</u>
Intergovernmental.....	1,350,801	-
	<u>1,350,801</u>	<u>-</u>
Transfers from other systems.....	889,568	-
	<u>889,568</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>33,691,421</u>	<u>611,926</u>
DEDUCTIONS		
Retirement benefits.....	24,965,837	-
Refunds of contributions & transfers to other systems.....	1,165,742	-
Administration expense.....	235,906	31,128
Educational scholarships & awards.....	-	349,340
	<u>26,367,485</u>	<u>380,468</u>
TOTAL DEDUCTIONS.....		
	<u>26,367,485</u>	<u>380,468</u>
CHANGE IN NET ASSETS.....	7,323,936	231,458
	<u>7,323,936</u>	<u>231,458</u>
NET ASSETS AT BEGINNING OF YEAR.....	239,495,091	8,483,123
	<u>239,495,091</u>	<u>8,483,123</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 246,819,027</u>	<u>\$ 8,714,581</u>

See notes to basic financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The City of Newton, Massachusetts (the City) is a municipal corporation governed by an elected Mayor, who serves a four - year term, and a twenty-four member Board of Aldermen, who serve two-year terms. Sixteen of the members of the Board of Aldermen are elected at large, and eight members are elected from one of the City's eight wards. The current city charter was approved by the voters of the City on November 2, 1971, and became effective January 1972.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting.

The accompanying financial statements present the activities of the City and its component units, legally separate organizations for which the City is financially accountable or integrated. The following component units provide services or benefits exclusively or almost exclusively to the City or its employees and are therefore blended and reported as if they were part of the City:

Non-Major Governmental Funds

The Newton Community Development Authority (the Authority) was established in 1975 pursuant to Chapter 705 of the Massachusetts General Laws to develop housing programs for low and moderate income families, the elderly and handicapped residents of the City. The Authority is governed solely by the City's Director of Planning and Development, who is appointed by the Mayor, subject to confirmation approval by a majority of the Board of Aldermen. The Authority provides services that are entirely for the benefit of the City. The Authority does not issue a separate audited financial statement.

Proprietary Funds

The Newton Commonwealth Foundation, Inc. (the Foundation) was established for the management of the Newton Commonwealth Golf Course on the site formerly known as the Chestnut Hill Country Club. The Foundation is governed by a fifteen member board appointed by the Mayor and are subject to confirmation approval by a majority of the Board of Aldermen. The annual operating budget of the Foundation is subject to approval by the Mayor. The Foundation provides services that are entirely for the benefit of the City. Complete audited financial statements may be obtained by writing to the Foundation Chairman at Newton City Hall, 1000 Commonwealth Avenue, Newton, Massachusetts 02469.

Fiduciary Funds

The Newton Contributory Retirement System (the System) was established to provide retirement benefits to City employees and their beneficiaries. The System is governed by a five member board comprised of the City Comptroller (ex officio); an appointee of the Mayor; two members elected by the active and retired members of the System, and one member appointed by the other four members.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 1000 Commonwealth Avenue, Newton, Massachusetts 02459.

The following component unit is discretely presented in the government-wide financial statements:

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Discrete Presentation

The Newton Schools Foundation, Inc., a non-profit organization, was established in 1986 to enhance and broaden community support for public education and provide funding for innovative and challenging programs in the Newton Public Schools. Complete audited financial statements may be obtained by writing to the Newton Schools Foundation's administrative office located at 100 Walnut Street, Newton, Massachusetts 02460.

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City) including its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each major function/service program of the City's governmental activities. Direct expenses are those that are specifically associated with a program and, therefore, are clearly identifiable to a particular service. Vehicle maintenance; pension benefit; property and liability insurance; claims and judgments; and state assessments and charge costs have been allocated to major functions/programs in order to present a more accurate and complete picture of the cost of City services. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the major programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column in their respective governmental fund and proprietary fund financial statements. All remaining governmental funds are aggregated and reported in a separate column.

Internal service funds of the City (which provide services primarily to other funds of the City) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program (general government, public safety, education, public works, health and human services, and culture and recreation) in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions (charges for services) associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. All revenues and expenses not meeting this definition, such as intergovernmental subsidies and investment earnings, are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Community Preservation Fund: This fund accounts for the 1% local property tax surcharge that the voters of the City approved in November of 2001 for open space, historic resource and affordable housing purposes. The Commonwealth of Massachusetts currently matches (in the subsequent fiscal year) local surcharge revenue on a dollar for dollar basis.

The Board of Aldermen has appropriation authority over all community preservation funds; however, all appropriation recommendations must originate with the nine member community preservation committee.

High School Improvements Fund: This fund accounts for major renovations that are being made to the City's two high schools, and are being financed by the sale of long term debt and state grants.

The non-major governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and permanent funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the governmental programs.

The City also reports the following major enterprise funds:

Sewer Fund: This fund accounts for the operation and maintenance of the City's sanitary sewer collection and disposal system. The City is charged an annual assessment by the Massachusetts Water Resources Authority (MWRA) for disposal of sanitary sewerage.

Water Fund: This fund accounts for the operation and maintenance of the City's water supply and distribution system. The City is charged an annual assessment by the Massachusetts Water Resources Authority (MWRA) for water supply.

Newton Commonwealth Golf Fund: This fund accounts for the operation and maintenance of the Foundation, a blended component unit of the City.

The City also reports the following fund types:

Internal Service Funds: These funds account for group health, workers' compensation, building and general liability insurance protection to City departments on a cost reimbursement basis.

Pension Trust Fund: This fund is used to account for the activities of the System, which accumulates resources for defined benefit pension benefit payments to qualified employees and retirees and their survivors. This fund is excluded from the City's government-wide financial statements.

Private Purpose Trust Funds: These funds are used to account for resources legally held in trust for the benefit of persons and organizations other than the City. Since such funds can not be used for purposes of providing City services, they are excluded from the City's government-wide financial statements.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Agency Fund: This fund is used to account for monies held on behalf of parties other than the City, such as state and federal agencies; independent not-for-profit organizations for which the City collects private donations; the Metro Fire District; and public school student activities. This fund is excluded from the City's government-wide financial statements.

For the government-wide and enterprise fund financial statements, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time that liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property, motor excise and hotel room occupancy taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Derived tax revenues, such as hotel room occupancy taxes, that result from assessments imposed by the City on exchange transactions are recognized when the underlying exchange occurs. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days after year-end. Property taxes, motor excise taxes, charges for service, investment income, and in lieu of tax payments are considered to be susceptible to accrual. Revenue from grants, entitlements, and donations is recognized when all eligibility requirements have been satisfied and they are measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long term debt, compensated absences, landfill post closure monitoring costs (and other environmental liabilities) and claims and judgments, which are recognized as expenditures only to the extent that they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Equity

Cash and Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

Restricted Cash and Cash Equivalents and Investments

Permanent fund cash and cash equivalents and investments and cash and cash equivalents associated with certain development and water and sewer utility deposits are classified as restricted. Other assets are classified as restricted when their use is restricted by third-party covenants.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Receivables

All trade and property tax receivables are shown net of an allowance for doubtful collections. Outstanding personal property taxes, motor excise taxes and parking violations that are three or more years old have been classified as uncollectible for financial reporting purposes.

Based upon an analysis of water and sewer receivable activity over the past three years, 3% of outstanding water and sewer user charges receivable have been assigned to an allowance for doubtful collections. Real estate taxes receivable are secured by tax liens, and therefore are considered 100% collectible.

Property taxes: The City is responsible for assessment and collection of all property taxes. The Board of Assessors determine the estimated fair value of all real and personal property, subject to the property tax, each January 1. Taxes are then levied on each property based upon the budget that is adopted by the Mayor and Board of Aldermen net of the amount of state aid and other revenues. Property taxes are due in quarterly installments - August 1, November 1, February 1 and May 1, and subject to penalties and 14% interest if not paid by the due date. Taxes due on August 1 and November 1 are estimated based upon the prior year tax bill since the tax rate is generally not finalized until late November or December. The February 1 and May 1 tax bills are adjusted to reflect the actual tax levy. It is the City's policy to perfect tax liens on delinquent properties within one year of the date that the tax is levied.

Motor vehicle excise taxes: Motor vehicle excise taxes are assessed annually for each vehicle registered in the City and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

Water and Sewer User Charges: User fees are billed quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed in December of every year and are included as a lien on the property owner's tax bill. Water and sewer charges and related liens are recorded as receivables in the fiscal year of the levy. Unbilled amounts are estimated based upon actual billing amounts subsequent to year-end.

Intergovernmental: Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other eligibility requirements have been met.

Inventories

The amount of inventories is not material to the government-wide and fund financial statements of the City and therefore is recorded as expenditures at the time of purchase.

Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' useful lives are not capitalized.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Capital assets are defined by the City as assets with an initial, individual cost of \$15,000 or more and an estimated useful life of more than a single year. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	7-20 years
Buildings and improvements	20-50 years
Machinery and equipment	3-20 years
Infrastructure	20-50 years

Inter-fund Transactions

Inter-fund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination in the government-wide statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers and are reported "gross" in the fund financial statements. Transfers between governmental funds are eliminated in the conversion to the government-wide financial statements, while transfers between governmental and proprietary funds are reported "net".

Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue, if appropriate, is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

Net Assets and Fund Equity

Government – wide financial statements – Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Net assets have been reported as restricted for the following purposes:

- Water and sewer system improvements represent amounts received/earned from the Massachusetts Water Resources Authority and Massachusetts Water Pollution Abatement Trust for capital improvements to the City's water distribution and sanitary sewer collection systems.
- Community development activities represents amounts received from the U.S. Department of Housing and Community Development for community development activities.
- Community preservation activities represent amounts restricted by state statute for open space; historic preservation, and affordable housing under the Community Preservation program.
- Education activities represent amounts received from the U.S. Department of Education, the Commonwealth of Massachusetts' Department of Education, and various private donors for public education services.
- Perpetual funds – expendable represents amounts held in trust for which the expenditures are restricted by various trust agreements.
- Perpetual funds – non-expendable represents amounts held in trust for which only investment earnings may be expended.
- Other specific purposes represent restrictions placed on assets by other outside parties.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Fund financial statements – Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent management plans that are subject to change. Fund balances have been reserved for the following purposes:

- Encumbrances and continuing appropriations represent amounts obligated under purchase orders, contracts, or other commitments for expenditure that are being carried forward to the ensuing fiscal year.
- Loans represent outstanding loans receivable with continuing compliance requirements.
- Perpetual permanent funds represent amounts held in trust for which only investment earnings may be expended.
- Other specific purposes represent restrictions placed on assets by outside parties.

Fund balances have been designated for the following:

- Subsequent year's expenditures represent amounts appropriated by the Mayor and Board of Aldermen for the fiscal year 2007 budget.

Long term debt

Government-wide and Proprietary Fund Financial Statements – Long term debt is reported as a liability in the government wide and proprietary fund statements of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

Governmental Fund Financial Statements – The face amount of governmental funds long term debt is reported as other financing sources in the Governmental Fund Financial Statements. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds, are reported as General Government (financial administration) expenditures.

Investment Income

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the General Fund, unless otherwise directed by legal or contractual provisions.

Compensated Absences

Employees are granted vacation leave, special leave (sick, religious observance, personal leave), and enhanced longevity benefits based upon collective bargaining agreements and city ordinance. These benefit costs are accrued when earned in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if the benefit had been earned at June 30 as a result of a retirement, resignation, or termination, and the benefit is expected to be paid immediately after the start of the new fiscal year. Vacation pay is classified as a current liability, while special leave and school enhanced longevity benefits are classified as non-current liabilities.

Post Retirement Benefits

In addition to providing pension benefits, the City provides health and life insurance coverage for all retired employees and their survivors, including those retired under the Massachusetts Teachers Retirement System (MTRS). Health insurance coverage is provided in accordance with Massachusetts General Law Chapter 32. The City funds 80% of retiree health insurance premiums, including the reimbursement of 80% of Medicare part B premiums and 50% of a \$5,000 term life insurance premium. The City recognizes its share of the cost of providing such benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2006 this expenditure totaled approximately \$12,561,000, for 2,411 eligible retirees and/or survivors.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

The City has obtained an actuarial valuation of its obligations for post retirement health benefits. As of June 30, 2006 the actuarially determined present value of earned post retirement health benefits is approximately \$560,860,000. The actuarial assumptions included a 2.0% rate of return on investments (net of investment expenses) and an inflationary rate of 9.5% for fiscal year 2007; 9.0% for fiscal year 2008; 8.5% for fiscal year 2009; 8.0% for fiscal year 2010; 7.5% for fiscal year 2011; 7.0% for fiscal year 2012; 6.5% for the next six years and an ultimate trend rate after 7 years of 6.0% per annum. Based upon the June 30, 2006 study, the City's Annual Required Contribution (ARC) for the fiscal year beginning July 1, 2006 is approximately \$48,820,000 million. There are currently no funds being set aside to fund this liability.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

Total Column

Government-wide financial statements – The total column presented in the government-wide financial statements represents consolidated financial information.

Fund financial statements – The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

Note 2 - Stewardship, Compliance, and Accountability

A. Budget Information

The municipal finance laws of the Commonwealth of Massachusetts require that the Mayor and Board of Aldermen adopt a balanced budget each fiscal year. The City Charter requires that the Mayor submit a recommended budget to the Board of Aldermen and that the Board adopt the budget, with or without amendments, within forty-five days following the day the budget is received. The Board of Aldermen may approve, reduce or reject any budget recommendation of the Mayor by majority vote, but may not increase an appropriation without the concurrence of the Mayor. Annual appropriations are recommended and approved for the General Fund and Community Preservation Fund for personal services (salaries and wages), expenses (supplies and services), debt service and capital outlay/improvements, and fringe benefits. A single bottom-line appropriation budget is recommended and voted for the Newton Public Schools.

Amendments to the original budget; transfers between municipal departments; and transfers between departmental appropriation units require prior approval of the Mayor and Board of Aldermen, and in the case of a transfer from one department to another, the approval of the head of the department from which funds are being transferred is also required.

The Comptroller's Office has responsibility for making certain that the budget is executed in accordance with the plan approved by the Mayor and Board of Aldermen, and monthly appropriation status reports are provided to the Mayor and Board. Budgetary control is exercised on a line item basis for all municipal departments and transfers between line items within departmental appropriation units require advance approval of the Comptroller. Encumbrance accounting is used as an additional control measure. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities since goods and services have not been received.

Although unobligated annual appropriation balances generally lapse at year-end, it is the City's policy to continue certain appropriations into the following year under certain limited circumstances. These are limited to amounts voted as special

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

(multi-year) appropriations (generally capital outlay and improvements), capital maintenance funds, and property tax revaluation program appropriations.

An annual budget is adopted in conformity with the guidelines described above. The original fiscal year 2006 General Fund and Community Preservation Fund budgets authorized \$247,345,880 and \$6,034,355, respectively, in appropriations and other amounts to be raised. During the fiscal year, the Mayor and Board of Aldermen authorized supplemental appropriations for the General Fund and Community Preservation Fund totaling \$5,525,766, and \$4,627,445, respectively, for total budgets of \$252,871,647 and \$10,661,800, respectively.

Total General Fund expenditures and transfers to other funds were \$246,032,037, and \$5,640,444 in appropriation balances were carried forward into fiscal year 2007 to support encumbrances and continuing appropriations.

Total Community Preservation Fund expenditures were \$10,661,800, and \$4,688,077 in appropriation balances were carried forward into fiscal year 2007 to support encumbrances and continuing appropriations.

B. Budget to GAAP Reconciliation

Accounting principles followed for purposes of preparing the financial statements on a budgetary basis differ from those used to present financial statements in accordance with GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2006 is presented below:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 247,369,885	\$ 241,944,093
<u>Adjustments</u>		
Net change in recording 60-day receipts.....	130,563	-
Net change in recording tax refunds payable.....	348,725	-
To record activity for landfill closure subsidy.....	90,891	90,891
To record activity of MTRS on-behalf payments.....	20,841,411	20,841,411
To record activity for pension loan interest subsidy.....	136,500	136,500
Net change in recording short-term interest accrual.....	-	(626,532)
Net change in collective bargaining accrual.....	-	(296,541)
Net change in recording other expenditures.....	-	(71,569)
	<u> </u>	<u> </u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 268,917,975</u>	<u>\$ 262,018,253</u>

The Community Preservation Fund's budgetary basis activity is the same as required by GAAP, therefore no budget to GAAP reconciliation is presented.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2006, state assessments and charges exceeded the amount that the Commonwealth authorized the City to budget for by \$54,913. This deficiency was closed to fund balance at June 30, 2006.

D. Deficit Fund Equity

The High School Improvement Capital Project Fund had an accumulated deficit of \$10,539,311 at June 30, 2006 as a result of the fact that interim project financing is being accomplished with bond anticipation notes. The City intends to fund this accumulated deficit through a combination of long term bonds and state school construction reimbursement grants.

Note 3 - Deposits and Investments

A. Summary of Deposit and Investment Balances

City (Excluding the Pension Trust Fund)

The municipal finance laws of the Commonwealth authorize the City to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

The municipal finance laws allow the City to invest private purpose trust funds in securities other than mortgages or collateral loans that are legal for the investment of funds of savings banks under the laws of the Commonwealth of Massachusetts.

Investments for the City are reported at fair value.

The City maintains a cash and short term investment pool that is available for use by all funds with unrestricted cash and investments. The deposits and investments of private purpose and pensions trust funds are held separately from those of other City funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City does not have a policy for custodial credit risk of deposits. As of June 30, 2006, \$72,524,413 of the City's bank balance of \$79,175,321 was uninsured and uncollateralized.

Investments Summary

The City's investments at June 30, 2006 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 5,456,981	\$ 948,808	\$ 1,743,976	\$ 2,139,102	\$ 625,095
U.S. Agencies.....	637,345	199,438	437,907	-	-
Corporate bonds.....	615,872	176,646	307,585	131,641	-
Money market mutual funds.....	476,863	476,863	-	-	-
Repurchase agreements.....	<u>2,501,732</u>	<u>2,501,732</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt securities.....	<u>9,688,793</u>	<u>\$ 4,303,487</u>	<u>\$ 2,489,468</u>	<u>\$ 2,270,743</u>	<u>\$ 625,095</u>
<u>Other Investments:</u>					
External investment pools.....	23,870,238				
Equity securities.....	<u>8,446,251</u>				
Total other investments.....	<u>32,316,489</u>				
Total investments.....	<u>\$ 42,005,282</u>				

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The City does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. As of June 30, 2006, \$18,135,044 of the City's investments of \$42,005,282 was uninsured, not registered in the name of the City and exposed to custodial credit risk as follows:

Investment Type	Fair Value	Held by Counterparty	Held by Counterparty's Trust or Agent
U.S. Treasuries.....	\$ 5,456,981	\$ -	\$ 5,456,981
U.S. Agencies.....	637,345	-	637,345
Corporate bonds.....	615,872	-	615,872
Money market mutual funds.....	476,863	476,863	-
Repurchase agreements.....	2,501,732	2,501,732	-
Equity securities.....	8,446,251	-	8,446,251
 Total.....	 \$ 18,135,044	 \$ 2,978,595	 \$ 15,156,449

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The City does not have a policy for credit risk of debt securities. As of June 30, 2006, the credit quality ratings of the City's investment in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *								
		AAA	AA1	AA3	A	A1	A3	BAA1	BA1	Unrated
U.S. Treasuries.....	\$ 5,456,981	\$ 5,456,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agencies.....	637,345	637,345	-	-	-	-	-	-	-	-
Corporate bonds.....	615,872	117,995	34,793	45,147	200,895	105,542	24,740	21,155	65,605	-
Money market mutual funds.....	476,863	-	-	-	-	-	-	-	-	476,863
Repurchase agreements.....	2,501,732	2,501,732	-	-	-	-	-	-	-	-
External investment pools.....	23,870,238	-	-	-	-	-	-	-	-	23,870,238
Total.....	<u>\$ 27,464,705</u>	<u>\$ 2,619,727</u>	<u>\$ 34,793</u>	<u>\$ 45,147</u>	<u>\$ 200,895</u>	<u>\$ 105,542</u>	<u>\$ 24,740</u>	<u>\$ 21,155</u>	<u>\$ 65,605</u>	<u>\$ 24,347,101</u>

* Per the rating scale of Moody's and Standard and Poor's (national credit rating organizations)

Pension Trust Fund (The System)

Pension trust fund investments (more fully described in note 10), include a combination of public and private real estate limited partnership investments, which represents 7.1% of the Pension Fund's total investments. The structure, risk profile, return potential and marketability of these investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. The City has determined the value of these investments from investment advisors, based upon independent year end appraisals.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2005, \$22,562,423 of the System's bank balance of \$22,762,423 was uninsured and uncollateralized.

Investments Summary

The System's investments at June 30, 2006 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 6,846,126	\$ -	\$ -	\$ -	\$ 6,846,126
U.S. Agencies.....	1,784,593	-	1,784,593	-	-
Corporate bonds.....	19,363,002	-	-	8,579,412	10,783,590
Money market mutual funds.....	20,971,532	20,971,532	-	-	-
Mutual bond funds.....	24,609,222	-	24,179,103	301,840	128,279
Total debt securities.....	73,574,475	\$ 20,971,532	\$ 25,963,696	\$ 8,881,252	\$ 17,757,995
<u>Other Investments:</u>					
External investment pools.....	1,790,891				
Equity securities.....	153,478,167				
Real estate investments.....	17,390,081				
Total other investments.....	172,659,139				
Total investments.....	\$ 246,233,614				

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System's policy is that at least 15%, but no more than 30% of the portfolio must be invested in fixed income securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. The custodial arrangements are reflective of the fact that System assets are invested in pooled funds as opposed to individual securities. As of June 30, 2005, \$244,442,723 of the System's investments of \$246,233,614 was uninsured, not registered in the name of the System and exposed to custodial credit risk as follows:

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Investment Type	Fair Value	Held by Counterparty	Held by Counterparty's Trust or Agent
U.S. Treasuries.....	\$ 6,846,126	\$ -	\$ 6,846,126
U.S. Agencies.....	1,784,593	-	1,784,593
Corporate bonds.....	19,363,002	-	19,363,002
Money market mutual funds.....	20,971,532	20,971,532	-
Mutual bond funds.....	24,609,222	-	24,609,222
Equity securities.....	153,478,167	-	153,478,167
Real estate investments.....	17,390,081	-	17,390,081
Total.....	<u>\$ 244,442,723</u>	<u>\$ 20,971,532</u>	<u>\$ 223,471,191</u>

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System's policy is that bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 5% of the total investment portfolio may be invested in bonds with a minimum quality rating of CCC as rated by Standard & Poor's Corporate and Municipal Rating Service. As of June 30, 2006, the credit quality ratings of the System's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *						
		AAA	A1	A2	A3	BAA1	BA3	Unrated
Corporate bonds.....	\$ 19,363,002	\$ -	\$ -	\$ 5,128,456	\$ 1,747,564	\$ 5,655,134	\$ 6,831,848	\$ -
Money market mutual funds.....	20,971,532	-	-	-	-	-	-	20,971,532
Mutual bond funds.....	24,609,222	24,480,943	128,279	-	-	-	-	-
External investment pools.....	1,790,891	-	-	-	-	-	-	1,790,891
Total.....	<u>\$ 66,734,647</u>	<u>\$ 24,480,943</u>	<u>\$ 128,279</u>	<u>\$ 5,128,456</u>	<u>\$ 1,747,564</u>	<u>\$ 5,655,134</u>	<u>\$ 6,831,848</u>	<u>\$ 22,762,423</u>

* Per the rating scale of Moody's and Standard and Poor's (national credit rating organizations)

Note 4 - Receivables

At June 30, 2006, receivables for the individual major governmental funds and non-major governmental, internal service and fiduciary funds in the aggregate, including applicable allowances for amounts estimated to be uncollectible, are as follows:

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 4,513,510	\$ (133,596)	\$ 4,379,914
Real estate tax deferrals.....	2,100,394	-	2,100,394
Tax and utility liens.....	1,509,534	-	1,509,534
Motor vehicle excise taxes.....	1,690,143	(912,286)	777,857
Community preservation surcharges.....	64,376	-	64,376
Charges for service.....	620,771	(122,836)	497,935
Special assessments.....	375,076	-	375,076
Departmental and other.....	7,090,446	(2,251,848)	4,838,598
Notes.....	1,100,000	-	1,100,000
Structured settlement contracts.....	2,850,000	-	2,850,000
Intergovernmental.....	21,535,447	-	21,535,447
Loans.....	3,640,169	-	3,640,169
	<u>\$ 47,089,866</u>	<u>\$ (3,420,566)</u>	<u>\$ 43,669,300</u>

At June 30, 2006, receivables for the Proprietary Funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Utility liens.....	\$ 283,417	\$ -	\$ 283,417
Charges for service.....	9,192,118	(145,179)	9,046,939
Special assessments.....	114,462	-	114,462
Intergovernmental.....	3,197,759	-	3,197,759
	<u>\$ 12,787,756</u>	<u>\$ (145,179)</u>	<u>\$ 12,642,577</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2006, the various components of deferred revenue reported in the governmental funds were:

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

	General Fund	Community Preservation Fund (Major)	High School Improvements Fund (Major)	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>					
Real estate and personal property taxes.....	\$ 3,596,428	\$ -	\$ -	\$ -	\$ 3,596,428
Real estate tax deferrals.....	2,100,394	-	-	-	2,100,394
Tax and utility liens.....	1,509,534	-	-	-	1,509,534
Motor vehicle and other excise taxes.....	73,091	-	-	-	73,091
Community preservation surcharges.....	-	45,387	-	-	45,387
Charges for service.....	-	-	-	299,390	299,390
Special assessments.....	375,076	-	-	-	375,076
Departmental and other.....	4,838,598	-	-	-	4,838,598
Notes.....	-	1,100,000	-	-	1,100,000
Intergovernmental (state school construction).....	7,618,248	-	8,707,753	-	16,326,001
Structured settlement contract.....	2,850,000	-	-	-	2,850,000
Intergovernmental (other state and federal).....	591,372	1,973,983	-	7,027	2,572,382
Loans.....	-	-	-	360,000	360,000
Total.....	<u>\$ 23,552,741</u>	<u>\$ 3,119,370</u>	<u>\$ 8,707,753</u>	<u>\$ 666,417</u>	<u>\$ 36,046,281</u>

The Commonwealth of Massachusetts has approved school building assistance grant reimbursements for nine school renovation projects previously financed with long-term debt. This assistance program, administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service payments for approved projects. During the fiscal year ended June 30, 2006 the City received \$2,793,121 of such assistance and an additional \$7,618,248 related to construction costs and \$1,756,836 in interest has been committed for the period of July 1, 2006 through June 30, 2013. Accordingly, a \$7,618,248 intergovernmental receivable (and corresponding deferred revenue) has been recorded in the General Fund. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements. MSBA financial and compliance audits have been completed for all school projects under payment schedule, except for the Bowen Elementary School project, which represents \$1,470,807 of the \$7,618,248 intergovernmental receivable.

During fiscal year 2006, the MSBA authorized reimbursement of 75% of the \$34,831,012 school building assistance award for the Newton South High School renovation project. The balance of the award is payable to the City upon final audit of project costs. The City used the \$26,123,259 reimbursement to retire outstanding bond anticipation notes and expects to use the \$8,707,753 balance to retire currently outstanding bond anticipation notes. Accordingly, a \$8,707,753 intergovernmental receivable (and corresponding deferred revenue) has been recorded in the High School Improvement Fund.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Note 5 – Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2006 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land.....	\$ 17,099,071	\$ -	\$ -	\$ 17,099,071
Construction in progress.....	2,818,956	2,071,653	(288,790)	4,601,819
Sub-total.....	<u>19,918,027</u>	<u>2,071,653</u>	<u>(288,790)</u>	<u>21,700,890</u>
Capital assets being depreciated:				
Buildings and improvements.....	193,990,732	4,183,021	-	198,173,753
Equipment and machinery.....	36,369,121	2,503,321	(104,626)	38,767,816
Road network.....	47,871,713	1,208,055	-	49,079,768
Sub-total.....	<u>278,231,566</u>	<u>7,894,397</u>	<u>(104,626)</u>	<u>286,021,337</u>
Less: accumulated depreciation:				
Buildings and improvements.....	(65,370,792)	(4,097,585)	-	(69,468,377)
Equipment and machinery.....	(23,756,764)	(2,992,524)	88,882	(26,660,406)
Road network.....	(14,040,072)	(1,229,607)	-	(15,269,679)
Sub-total.....	<u>(103,167,628)</u>	<u>(8,319,716)</u>	<u>88,882</u>	<u>(111,398,462)</u>
Total capital assets being depreciated, net.....	<u>175,063,938</u>	<u>(425,319)</u>	<u>(15,744)</u>	<u>174,622,875</u>
Governmental capital assets, net.....	\$ <u>194,981,965</u>	\$ <u>1,646,334</u>	\$ <u>(304,534)</u>	\$ <u>196,323,765</u>

Depreciation was charged to governmental fund programs in the Statement of Activities as follows:

Elections.....	\$ 25,861
Administrative support.....	301,432
Public building maintenance and operations.....	76,270
Police.....	738,819
Fire.....	250,339
Other public safety.....	1,540
Education.....	4,325,148
Streets and sidewalks.....	1,557,657
Control of snow and ice.....	13,250
Solid waste.....	998
Public works administration and support.....	61,034
Public health.....	4,115
Libraries.....	812,925
Parks and recreation.....	129,738
Newton history museum.....	5,590
Total depreciation expense - governmental activities.....	\$ <u>8,319,716</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Capital asset activity for individual enterprise funds for the fiscal year ended June 30, 2006 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Water systems:				
Capital assets not being depreciated:				
Land.....	\$ 258,540	\$ -	\$ -	\$ 258,540
Capital assets being depreciated:				
Buildings and improvements.....	2,203,492	-	-	2,203,492
Equipment and machinery.....	3,984,319	216,041	(61,700)	4,138,660
Water system.....	21,381,328	2,636,661	-	24,017,989
Sub-total.....	27,569,139	2,852,702	(61,700)	30,360,141
Less: accumulated depreciation:				
Buildings and improvements.....	(849,057)	(33,163)	-	(882,220)
Equipment and machinery.....	(2,742,803)	(137,038)	55,530	(2,824,311)
Water system.....	(5,575,075)	(465,007)	-	(6,040,082)
Sub-total.....	(9,166,935)	(635,208)	55,530	(9,746,613)
Total capital assets being depreciated, net.....	18,402,204	2,217,494	(6,170)	20,613,528
Water system capital assets, net.....	\$ 18,660,744	\$ 2,217,494	\$ (6,170)	\$ 20,872,068
	Beginning Balances	Increases	Decreases	Ending Balances
Sewer system				
Capital assets not being depreciated:				
Land.....	\$ 26,245	\$ -	\$ -	\$ 26,245
Capital assets being depreciated:				
Buildings and improvements.....	1,867,659	-	-	1,867,659
Equipment and machinery.....	1,352,485	219,447	-	1,571,932
Sanitary sewer system.....	39,557,509	349,905	-	39,907,414
Sub-total.....	42,777,653	569,352	-	43,347,005
Less: accumulated depreciation:				
Buildings and improvements.....	(429,263)	(39,125)	-	(468,388)
Equipment and machinery.....	(370,569)	(96,398)	-	(466,967)
Sanitary sewer system.....	(11,301,230)	(786,003)	-	(12,087,233)
Sub-total.....	(12,101,062)	(921,526)	-	(13,022,588)
Total capital assets being depreciated, net.....	30,676,591	(352,174)	-	30,324,417
Sewer system capital assets, net.....	\$ 30,702,836	\$ (352,174)	\$ -	\$ 30,350,662

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

	Beginning Balances	Increases	Decreases	Ending Balances
Golf course:				
Capital assets being depreciated:				
Land improvements.....	\$ 670,002	\$ -	\$ -	\$ 670,002
Buildings and improvements.....	69,481	-	-	69,481
Equipment and machinery.....	35,409	-	-	35,409
Sub-total.....	<u>774,892</u>	<u>-</u>	<u>-</u>	<u>774,892</u>
Less: accumulated depreciation:				
Land improvements.....	(353,492)	(39,463)	-	(392,955)
Buildings and improvements.....	(30,466)	(4,932)	-	(35,398)
Equipment and machinery.....	<u>(21,774)</u>	<u>(5,058)</u>	<u>-</u>	<u>(26,832)</u>
Sub-total.....	<u>(405,732)</u>	<u>(49,453)</u>	<u>-</u>	<u>(455,185)</u>
Golf course capital assets, net.....	<u>\$ 369,160</u>	<u>\$ (49,453)</u>	<u>\$ -</u>	<u>\$ 319,707</u>

Note 6 – Inter-fund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2006, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant - non major governmental fund	\$ 132,004 {1}
General Fund	Municipal federal grants - non major governmental fund	126,507 {2}
General Fund	School federal grants - non major governmental fund	425,812 {3}
General Fund	Public building improvements - non major governmental fund	9,951 {4}
General Fund	Street improvements - non major governmental fund	22,453 {5}
		<u>\$ 716,727</u>

{1} Advance funding pending receipt of federal CDBG letter of credit draw downs.

{2} Advance funding pending receipt of federal home program draw downs.

{3} Advance funding pending receipt of school federal grant reimbursements.

{4} Advance funding pending issuance of long-term debt in the public building improvements fund.

{5} Advance funding pending receipt of state chapter 90 highway grant reimbursements in the highway improvement fund.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Inter-fund transfer activity for the fiscal year ended June 30, 2006 consisted of the following:

Transfer Purpose	General Fund	Community Preservation Fund	Non-major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds
School Lunch fund subsidy.....	\$ (907,691)	\$ -	\$ 907,691	\$ -	\$ -	\$ -
School Student Athletic Revolving fund subsidy.....	(871,198)	-	871,198	-	-	-
High School Renovation Project subsidy - capital stabilization fund	(2,083,739)	-	2,083,739	-	-	-
Parking Meter Receipts Reserved fund subsidy of street lighting.....	702,832	-	(702,832)	-	-	-
Parking Meter Receipts Reserved fund - street light pole repairs.....	16,000	-	(16,000)	-	-	-
Parking Meter Receipts Reserved fund -parking meter replacement.....	40,000	-	(40,000)	-	-	-
Water Fund administration and support reimbursement	473,366	-	-	(473,366)	-	-
Water Fund administration reimbursement to Sewer Fund.....	-	-	-	(545,765)	545,765	-
Water Fund administration reimbursement to Sewer Fund.....	-	-	-	-	-	-
Water Fund legal claim.....	7,500	-	-	(7,500)	-	-
Sewer Fund administration and support reimbursement	710,050	-	-	-	(710,050)	-
Sale of Recyclable Materials Receipts Reserved fund - solid waste collection/disposal.....	200,000	-	(200,000)	-	-	-
BAA Marathon Receipts Reserved fund - playground improvements.....	55,000	-	(55,000)	-	-	-
BAA Marathon Receipts Reserved fund - playground improvements.....	30,000	-	(30,000)	-	-	-
CATV Receipts Reserved fund - Planning staff	125,000	-	(125,000)	-	-	-
CATV Receipts Reserved fund - Planning staff out of state travel	1,691	-	(1,691)	-	-	-
CATV Receipts Reserved fund - Wireless technology consultant.....	10,000	-	(10,000)	-	-	-
E-Rate Receipts Reserved fund - Library technology.....	5,500	-	(5,500)	-	-	-
Newton Commonwealth Mayor's Golf Days Receipts Reserved fund.....	14,406	-	(14,406)	-	-	-
Community Preservation Fund - legal services.....	30,000	(30,000)	-	-	-	-
Municipal Building Self Insurance Fund - building insurance premiums.....	277,582	-	-	-	-	(277,582)
School Revolving Funds.....	-	-	(666,660)	-	-	-
Municipal Revolving Funds.....	-	-	666,660	-	-	-
Capital stabilization fund - debt issuance and interest costs.....	458,625	-	(458,625)	-	-	-
Capital stabilization fund - NSHS construction close out legal assistance.....	25,000	-	(25,000)	-	-	-
Capital stabilization fund - City Hall conference room improvements.....	9,092	-	(9,092)	-	-	-
Capital stabilization fund - Fire station sliding pole repairs.....	15,000	-	(15,000)	-	-	-
Capital stabilization fund - Environmental remediation.....	142,280	-	(142,280)	-	-	-
Various nonmajor governmental fund close-out transfers.....	(62,644)	-	62,644	-	-	-
Traffic mitigation fund traffic study balances closed to receipts reserved fund.....	(7,672)	-	7,672	-	-	-
Federal Law Enforcement Block Grant - return of 2005 local match.....	2,000	-	(2,000)	-	-	-
Mass DEP Sewer Rate Relief grant - sewer system improvements.....	-	-	(2,541)	-	2,541	-
Eliot Street DPW Yard fuel tank replacement.....	(155,000)	-	155,000	-	-	-
Eliot Street DPW Sewer Yard fuel tank replacement.....	-	-	89,753	(44,877)	(44,876)	-
Total Transfers from Other Funds.....	\$ 3,350,924	\$ -	\$ 4,844,357	\$ -	\$ 548,306	\$ -
Total Transfers to Other Funds.....	\$ (4,087,944)	\$ (30,000)	\$ (2,521,627)	\$ (1,071,508)	\$ (754,926)	\$ (277,582)

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Note 7 – Notes Payable

Short term debt may be authorized and issued to fund current operating costs prior to the collection of revenues through the issuance of revenue (RAN's) or tax anticipation notes (TAN's), or to finance capital project expenditures prior to the issuance of permanent long-term debt, through the issuance of bond (BAN's) or grant anticipation notes (GAN's). Details of short-term debt activity for the fiscal year ended June 30, 2006 is as follows:

Loan Type	Purpose/Fund	Issue Date	Maturity Date	Interest Rate	Balance June 30, 2005	Issued	Redeemed	Balance June 30, 2006
BAN	High school renovations.....	08/15/03	08/15/05	2.00%	\$ 20,950,000	\$ -	\$ (20,950,000)	\$ -
BAN	High school renovations.....	08/27/04	08/15/05	3.00%	24,750,000	-	(24,750,000)	-
BAN	High school renovations.....	02/25/05	08/15/05	2.80%	3,800,000	-	(3,800,000)	-
BAN	High school renovations.....	08/15/05	02/15/06	3.75%	-	22,060,000	(22,060,000)	-
BAN	High school renovations.....	02/15/06	02/15/07	4.50%	-	12,060,000	-	12,060,000
Totals.....					\$ 49,500,000	\$ 34,120,000	\$ (71,560,000)	\$ 12,060,000

Note 8 - Long-Term Debt

Massachusetts General Laws Chapter 44, Section 10 authorizes indebtedness of up to a limit of 2 ½% of the equalized valuation of the City. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” Debt may also be issued for additional purposes, “outside the debt limit.” The City’s long term debt at June 30, 2006, along with future year debt service requirements is as follows:

Bonds Payable – Governmental Funds

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2005	Issued	Redeemed	Outstanding June 30, 2006
School renovations.....	03/29/1995	4.25-4.70	\$ 520,000	\$ -	\$ (520,000)	\$ -
Pension funding loan (House bill 6209).....	08/31/1996	0.00	2,600,000	-	-	2,600,000
School renovations.....	02/26/1997	4.50-4.80	1,113,750	-	(560,000)	553,750
MWPAT landfill closure.....	02/15/1998	4.60	1,941,600	-	(120,500)	1,821,100
School renovations.....	03/10/1998	4.23	1,050,000	-	(350,000)	700,000
Carr school repurchase.....	03/15/1999	3.91	840,000	-	(210,000)	630,000
School renovations.....	03/15/1999	3.91	4,140,000	-	(1,035,000)	3,105,000
School renovations.....	07/15/2000	4.40-4.85	2,570,000	-	(430,000)	2,140,000
School renovations.....	08/15/2001	3.65	3,410,000	-	(500,000)	2,910,000
School renovations.....	08/15/2003	3.06	5,130,000	-	(570,000)	4,560,000
Land acquisition (CPA).....	12/15/2003	2.0-3.4	4,500,000	-	(500,000)	4,000,000
School renovations.....	02/15/2005	3.0-4.0	10,000,000	-	(500,000)	9,500,000
Land acquisition (CPA).....	02/15/2005	3.0-3.75	1,500,000	-	(300,000)	1,200,000
School renovations.....	02/15/2006	3.0-4.3	-	11,574,000	-	11,574,000
Road improvements.....	02/15/2006	3.0-4.3	-	524,000	-	524,000
Public works equipment.....	02/15/2006	3.0-4.3	-	887,000	-	887,000
Fire equipment.....	02/15/2006	3.0-4.3	-	850,000	-	850,000
Total.....			\$ 39,315,350	\$ 13,835,000	\$ (5,595,500)	\$ 47,554,850

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

During fiscal year 2006, the City issued \$13,835,000 in new governmental fund bonds; \$11,574,000 for high school renovation project permanent financing and \$2,261,000 for roadway improvements and equipment.

During 1996 the Commonwealth of Massachusetts approved Chapter 204, Section 146 of the Acts of 1996, a home rule petition of the City of Newton, which authorized the immediate retirement of (11) Newton firefighters who were injured in a 1993 explosion of molten sodium at the H.C. Starck Inc. plant in the City, at an enhanced level of retirement benefits. The legislation also granted the City a ten year, interest-free loan in the amount of \$2,600,000, to help lessen the financial impact of the enhanced retirement benefits and extraordinary medical costs on the City.

In 1997 the City and H.C. Starck, Inc. entered into an out of court settlement agreement that required H.C. Starck to purchase a structured annuity contract that pays the City \$2,850,000 on August 31, 2006. The \$2,850,000 structured settlement has been recorded as a receivable and deferred revenue in the City's General Fund and the City intends to liquidate the \$2,600,000 interest-free loan liability with these proceeds during the fiscal year that will end June 30, 2007.

During 1998 the City entered into a twenty-year loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT) to provide \$2,675,000 in funding for the closure of the City's remaining sanitary landfill. The loan agreement provides for both principal and interest subsidies over the term of the loan. At June 30, 2006, a balance of \$1,821,100 was outstanding on this loan. A principal subsidy of \$27,286 and an interest subsidy of \$63,605 have been recorded in the general fund.

Debt service requirements for principal and interest for Governmental bonds payable for future years is as follows:

Fiscal Year				
Ending	Principal	Interest	Total	
2007	\$ 8,472,050	\$ 1,650,837	\$ 10,122,887	
2008	5,321,900	1,431,349	6,753,249	
2009	4,975,100	1,240,196	6,215,296	
2010	3,728,500	1,056,854	4,785,354	
2011	3,432,500	924,202	4,356,702	
2012	2,896,700	802,541	3,699,241	
2013	2,420,500	780,290	3,200,790	
2014	2,482,200	619,213	3,101,413	
2015	1,411,700	549,812	1,961,512	
2016	1,416,300	486,688	1,902,988	
2017	1,361,000	433,140	1,794,140	
2018	1,365,800	377,977	1,743,777	
2019	1,370,600	327,390	1,697,990	
2020	1,200,000	276,875	1,476,875	
2021	1,200,000	230,375	1,430,375	
2022	1,000,000	183,625	1,183,625	
2023	1,000,000	143,750	1,143,750	
2024	1,000,000	103,125	1,103,125	
2025	1,000,000	62,500	1,062,500	
2026	500,000	21,250	521,250	
Total	\$ 47,554,850	\$ 11,701,989	\$ 59,256,839	

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Bonds Payable – Water Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2005	Issued	Redeemed	Outstanding June 30, 2006
Water/sewer garage.....	03/10/1998	3.89	\$ 120,000	\$ -	\$ (30,000)	\$ 90,000
MWRA Water	09/28/2000	0.00	644,894	-	(107,483)	537,411
MWRA Water	02/15/2001	0.00	906,717	-	(151,119)	755,598
MWRA Water	02/15/2002	0.00	1,810,214	-	(258,602)	1,551,612
MWRA Water	08/15/2002	0.00	2,068,815	-	(258,602)	1,810,213
MWRA Water	02/26/2004	0.00	2,327,417	-	(258,602)	2,068,815
MWRA Water	11/18/2004	0.00	2,586,019	-	(258,602)	2,327,417
MWRA Water	5/18/2006	0.00	-	2,586,019	-	2,586,019
Total.....			<u>\$ 10,464,076</u>	<u>\$ 2,586,019</u>	<u>\$ (1,323,010)</u>	<u>\$ 11,727,085</u>

The Massachusetts Water Resources Authority (MWRA) offers water system rehabilitation and sanitary sewer infiltration and inflow reduction financial assistance programs to member communities in order to assist with the on-going maintenance of water and sewer system infrastructure.

During the fiscal year ended June 30, 2006, the City was the recipient of a \$2,586,019 ten-year interest free water system rehabilitation loan. At June 30, 2006, the City had \$11,637,085 in MWRA water rehabilitation loans outstanding. Interest subsidies on these loans for the year ended June 30, 2006 totaled \$365,767.

Debt service requirements for future year principal and interest for water enterprise fund debt is as follows:

Fiscal Year Ending	Principal	Interest	Total
2007	\$ 1,581,612	\$ 3,690	\$ 1,585,302
2008	1,581,612	2,475	1,584,087
2009	1,581,612	1,245	1,582,857
2010	1,551,611	-	1,551,611
2011	1,551,612	-	1,551,612
2012	1,293,010	-	1,293,010
2013	1,034,408	-	1,034,408
2014	775,805	-	775,805
2015	517,203	-	517,203
2016	258,601	-	258,601
Total	<u>\$ 11,727,085</u>	<u>\$ 7,410</u>	<u>\$ 11,734,495</u>

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Bonds Payable – Sewer Enterprise Fund

	Date of Issue	Interest Rate (%)	Outstanding July 1, 2005	Issued	Redeemed	Outstanding June 30, 2006
Sewer construction.....	02/26/1997	4.50	\$ 106,250	\$ -	\$ (50,000)	\$ 56,250
Sewer construction.....	03/10/1998	4.01	40,000	-	(10,000)	30,000
MWRA Sewer.....	09/24/2001	0.00	24,468	-	(12,234)	12,234
MWRA Sewer.....	02/22/2002	0.00	97,152	-	(48,576)	48,576
MWRA Sewer.....	05/31/2002	0.00	28,358	-	(14,179)	14,179
MWRA Sewer.....	11/12/2002	0.00	211,365	-	(70,455)	140,910
MWRA Sewer.....	02/20/2003	0.00	67,419	-	(22,473)	44,946
MWRA Sewer.....	05/22/2003	0.00	95,700	-	(31,900)	63,800
MWRA Sewer.....	02/16/2006	0.00	-	52,525	-	52,525
MWPAT Sewer.....	10/06/1999	5.16	5,174,649	-	(283,920)	4,890,729
MWPAT Sewer.....	11/10/2000	5.20	6,472,884	-	(325,318)	6,147,566
MWPAT Sewer.....	07/03/2002	0.00	111,128	-	(4,804)	106,324
Total			<u>\$ 12,429,373</u>	<u>\$ 52,525</u>	<u>\$ (873,859)</u>	<u>\$ 11,608,039</u>

The MWRA's sanitary sewer infiltration/inflow reduction financial assistance program provides financial assistance for eligible projects in the form of a combination of grants and five-year interest-free loans. During the fiscal year ended June 30, 2006, the City was the recipient of a \$52,525 five-year interest free sewer infiltration/inflow loan. At June 30, 2006, the City had \$377,170 in MWRA sewer infiltration/inflow reduction loans outstanding.

The City has also entered into (3) ten-year subsidized loan agreements with the MWPAT for additional sanitary sewer system infiltration and inflow reduction projects. At June 30, 2006 the City had \$11,144,619 in loans outstanding under this project. Interest and principal subsidies on these loans for the year ended June 30, 2006 were \$470,094 and \$134,782, respectively. Water and sewer debt is expected to be funded from water and sewer enterprise fund revenue.

Debt service requirements for future year principal and interest for sewer enterprise fund debt is as follows:

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Fiscal Year Ending	Principal	Interest	Total
2007	\$ 904,967	\$ 571,492	\$ 1,476,459
2008	791,224	539,691	1,330,915
2009	684,106	506,355	1,190,461
2010	689,471	478,188	1,167,659
2011	707,137	417,751	1,124,888
2012	711,477	390,909	1,102,386
2013	736,657	343,684	1,080,341
2014	761,000	318,779	1,079,779
2015	781,000	270,286	1,051,286
2016	806,000	226,512	1,032,512
2017	831,000	182,618	1,013,618
2018	866,000	134,991	1,000,991
2019	896,000	92,573	988,573
2020	916,000	50,093	966,093
2021	506,000	14,033	520,033
2022	10,000	750	10,750
2023	10,000	250	10,250
Total	\$ 11,608,039	\$ 4,538,956	\$ 16,146,995

At June 30, 2006 the City had a total of \$54,140,202 in authorized and unissued debt, which is summarized as follows:

	Beginning of Year	Increases	Decreases	End of Year
High school improvements.....	\$ 85,190,527	\$ 260,000	\$ (46,819,515)	\$ 38,631,012
Elementary school improvements.....	1,114,000	700,000	(1,314,000)	500,000
Sewer waste water facilities.....	179,243	-	(52,525)	126,718
Sewer I&I removal.....	1,244,039	-	-	1,244,039
Sewer I&I removal.....	3,144,357	-	-	3,144,357
Water Main Rehab - MWRA.....	125,190	12,804,905	(2,586,019)	10,344,076
Street betterment improvements.....	650,000	-	(650,000)	-
Fire Station Improvements.....	-	150,000	-	150,000
Public Works Equipment Replacement.....	-	887,000	(887,000)	-
Fire Ladder Truck Replacement.....	-	850,000	(850,000)	-
	\$ 91,647,356	\$ 15,651,905	\$ (53,159,059)	\$ 54,140,202

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

During the fiscal year ended June 30, 2006, the following changes occurred in long-term liabilities:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 39,315,350	\$ 13,835,000	\$ (5,595,500)	\$ 47,554,850	\$ 8,472,050
Landfill closure and other environmental.....	1,313,200	-	(103,400)	1,209,800	143,400
Workers' compensation.....	5,862,173	2,187,283	(1,807,351)	6,242,105	994,000
Claims and judgments.....	268,752	50,000	(195,372)	123,380	83,380
Compensated absences.....	8,257,136	200,839	(153,000)	8,304,975	2,398,457
Total.....	<u>\$ 55,016,611</u>	<u>\$ 16,273,122</u>	<u>\$ (7,854,623)</u>	<u>\$ 63,435,110</u>	<u>\$ 12,091,287</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 22,893,449	\$ 2,638,544	\$ (2,196,869)	\$ 23,335,124	\$ 2,486,579
Compensated absences.....	261,156	25,298	-	286,454	28,646
Total.....	<u>\$ 23,154,605</u>	<u>\$ 2,663,842</u>	<u>\$ (2,196,869)</u>	<u>\$ 23,621,578</u>	<u>\$ 2,515,225</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, \$6,242,105 of the internal service funds accrued liabilities (workers' compensation claims) is included above.

The outstanding long-term debt related to land acquisition (Kessler Woods and Angino Farm) will be funded from the community preservation fund (major fund).

Except for the amounts related to the internal service funds and community preservation fund, the governmental activities long term liabilities are generally liquidated by the general fund.

Note 9 – Risk Financing

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims. The City is self-insured for general liability risks, however, Chapter 258 of the Massachusetts General Laws limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal civil rights, eminent domain, and breach of contract. The City is also self-insured for workers' compensation and unemployment claims.

The City has medical plans with Tufts and Harvard-Pilgrim, under which it makes actual claims payments. The medical plan providers act as claims processors and a transfer of risk does not occur. City employees contribute 20% of the cost of health care and the remainder is paid by the City. The City purchased stop loss insurance for individual claims in excess of \$250,000 per year, which are incurred during the fiscal year and paid within eighteen months after June 30.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

At June 30, 2006, the City's health claims liability totaled \$5,962,403. Changes in the reported liability since July 1, 2004 are as follows:

		Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-end
Fiscal year 2005.....	\$	4,726,107	\$	31,900,038	\$	(31,393,839)	\$	5,232,306
Fiscal year 2006.....	\$	5,232,306	\$	35,784,521	\$	(35,054,424)	\$	5,962,403

Workers' compensation claims are administered by the City's Personnel Department and are funded on a pay-as-you-go basis from annual appropriations. The City contracts for an annual actuarial valuation of the program, and based on this study, has recorded a liability of \$6,242,105 at June 30, 2006, of which \$994,000 has been recorded as a current liability based upon the City's expectation that this amount will be paid within the fiscal year ending June 30, 2007. The liability includes an estimate of the IBNR claims.

The June 30, 2006 plan valuation is based upon the use of a combination of the paid loss development method and the Bornhuetter-Ferguson Paid Loss method. US Life Tables 2001 Vital Statistics for Males and Females have been used to determine annuity values for long term claims, using a 5.0% annual rate of interest.

Changes in the reported liability since July 1, 2004 are as follows:

		Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-end
Fiscal year 2005.....	\$	5,833,943	\$	1,477,644	\$	(1,449,414)	\$	5,862,173
Fiscal year 2006.....	\$	5,862,173	\$	2,187,283	\$	(1,807,351)	\$	6,242,105

Note 10 – Pension Plan

A – Plan Description and Membership

The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Newton Contributory Retirement Board (NCRB). Substantially all employees of the City are members of the System, except for public school teachers and certain school administrative personnel who are members of the MTRS. Employees of the Newton Housing Authority also participate in the System. Pension benefits and administrative expenses paid by the MTRS are funded by the Commonwealth of Massachusetts and the amount of these on-behalf payments totaled \$20,841,411 for the fiscal year ended June 30, 2006. This pension cost is reported in the government wide Statement of Activities as an educational expense and an operating grant. It is reported as pension expenditures and intergovernmental revenue in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to Massachusetts General Law Chapter 32, up to a maximum of 80% of the average of a member's three highest consecutive years' regular compensation. In addition to regular compensation, benefits are based upon a member's age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received after the completion of 20 years of service or upon reaching age 55, with 10 years of service. Normal retirement for

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

most employees occurs at age 65, except for certain hazardous duty and public safety employees who attain normal retirement at age 55. Benefits and member contribution rates are determined by Chapter 32 of the Massachusetts General Laws.

A retirement allowance consists of two parts, an annuity and a pension. A member's accumulated total retirement deductions, plus interest, constitutes the annuity. The difference between the total retirement benefit and the annuity is the pension. At December 31, 2005, the System's membership consisted of the following:

Active members.....	1,782
Inactive members.....	447
Disabled members.....	152
Retirees and beneficiaries currently receiving benefits.....	<u>1,194</u>
Total.....	<u><u>3,575</u></u>

B – Basis of Accounting

The System's financial statements are prepared using the full accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

Investments of the System are stated at fair value.

C - Funding Policy

In 1984 the City began funding the System on an actuarial reserve basis. This funding includes both current year service and the amortization of past service liability. It is the policy of the NCRB to contract for an annual actuarial valuation of the System to determine whether the contributions are sufficient to meet accruing liabilities and to demonstrate what adjustments, if any, are necessary on the basis of actual experience. Active member contribution rates are based upon date of hire: Prior to January 1, 1975 - 5% of regular compensation; January 1, 1975-December 31, 1984 - 7% of regular compensation; January 1, 1985-June 30, 1996 - 8% of regular compensation and July 1, 1996 to date - 9% of regular compensation.

Members hired on or after January 1, 1979 contribute an additional 2% of annual regular compensation in excess of \$30,000. Cost of living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth during this time period are funded by annual contributions from the Commonwealth. Cost of living adjustments granted after 1997 must be approved annually by the NCRB and the costs are borne entirely by the System. These adjustments may not exceed 3% on the first \$12,000 in benefits.

D – Investment Policy

The NCRB is responsible for the adoption of a formal asset allocation policy, the selection of professional investment managers to execute the investment policies, and the appointment of an investment consultant to assist with the evaluation of investment manager performance. All investment activities of the NCRB are subject to oversight by the Commonwealth of Massachusetts Public Employee Retirement Commission (PERAC).

The asset allocation plan is designed to generate an average annual return of 8%. Up to 75% of the investment portfolio may be invested in equity securities, including international equities, which may not exceed 16% of the market value of the portfolio. At least 15%, but no more than 30% of the portfolio must be invested in fixed income securities. The NCRB

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

investment policy allows for a maximum 5% allocation to high yield fixed income securities. Real estate investments are expected to make up a minimum of 6% and a maximum of 12% of the portfolio. Effective January 1, 2006, the Retirement Board has approved the addition of private equity and hedge funds to the portfolio. The target allocation to private equity is 3% and that of hedge funds is 5%. Prohibited investments include futures contracts other than currency futures, calls and forward contracts which may be written against securities in the international portfolio to a maximum of 50% of the international portfolio's non dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

E – Annual Pension Cost

The City's contributions to the System for the fiscal years ended June 30, 2006, 2005, and 2004 were \$9,983,742; \$9,653,986; and \$7,985,281; respectively, and equaled the actuarially required contribution for each fiscal year. At June 30, 2006 the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2005 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included an 8.0% rate of return on investments (net of administrative expenses); an inflationary rate of 3.0% and projected salary increases of 3% for the next two years; 4% for each of the following three years; and 4.75% (5.25% for Group 4) annually thereafter. The actuarial value of the System's assets was determined using the five-year smoothing of investment returns greater/(less) than expected. The valuation must be within 20% of market value. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2006, was 22 years and is considered closed.

Schedule of Funding Progress (Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
January 1, 2006	\$ 253,421	\$ 382,732	\$ 129,311	66.2%	\$ 71,278	181.4%
January 1, 2005	244,266	361,080	116,814	67.6%	69,702	167.6%
January 1, 2004	233,888	350,688	116,800	66.7%	68,327	170.9%
January 1, 2003	227,126	338,172	111,046	67.2%	64,636	171.8%
January 1, 2002	228,239	306,123	77,884	74.6%	61,438	126.8%
January 1, 2001	219,102	268,660	49,558	81.6%	60,769	81.6%
January 1, 2000	201,766	256,096	54,330	78.8%	54,975	98.8%
January 1, 1999	176,284	239,946	63,662	73.5%	50,845	125.2%

Funding progress is reported based on the annual actuarial valuation performed by the System. The City is responsible for approximately 99% of the unfunded liability.

F - Non Contributory Retirement Allowances

City employees with World War II military veteran status, at least 30 years of service to the City, and who began work prior to July 1, 1939, are entitled to a non-contributory pension benefit equal to 72% of their highest annual rate of regular compensation. Retirement benefits for these individuals are funded on a pay-as-you-go basis by the City, and there is no estimate of the actuarial liability for these benefits because the City deems the amount to be immaterial to the financial statements. Expenditures for non-contributory retirement benefits for the fiscal years ended June 30, 2006, 2005, and 2004

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

were \$605,099, \$698,366, and \$736,735, respectively. Non contributory retirees are eligible for an annual cost of living adjustment of not more than 3% on the first \$12,000 of their annual retirement benefit.

Note 11 – Landfill Closure and Post-closure Care Costs

State and federal laws and regulations mandated that the City close its old landfill site when it ceases accepting waste and to perform certain maintenance and monitoring activities at the site after closure. On June 28, 1996 the City signed a consent agreement with the Commonwealth of Massachusetts Department of Environmental Protection that established a schedule for closure of the Rumford Avenue landfill. This landfill ceased operations in 1976 and was capped during 1998, which was in compliance with the consent agreement. The City has recorded a liability of \$734,800 at June 30, 2006 for future year landfill site monitoring and maintenance. Estimated costs per year total \$33,400. The current estimate is based upon current costs and may require modification in future years due to price inflation, changes in technology or changes in state/federal law and regulations.

Note 12 – Commitments

The City has substantially completed renovations at Newton South High School. During the fiscal year ended June 30, 2006, however, the City terminated its contract with the project general contractor and has called upon the contractor's general surety to complete all outstanding work. The general contractor has stated that it has delay and acceleration claims against the City in the approximate amount of \$1.5 million. The City has stated that its claim against the former general contractor, including both actual and liquidated damages, exceeds \$2 million. No formal claim notice has been submitted by either the former general contractor or the City.

The City has initiated the design process for the construction of a new Newton North High School, which is expected to cost between \$140 and \$165 million, approximately \$46.5 million is expected to be funded with grant/loan assistance from the Massachusetts School Building Authority.

Subsequent to June 30, 2006, the City's Board of Aldermen approved a site plan for the location of the new Newton North High School based upon preliminary design plans submitted by the project architect. A city-wide referendum vote is scheduled to take place on January 23, 2007 to affirm or reject the site plan for the new high school.

The City participates in a number of state and federal award programs. Although the federal grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2006, these programs, as well as certain state grant programs, are still subject to separate financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although it is expected such amounts, if any, will be immaterial.

Various additional legal actions and claims are pending. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any at June 30, 2006 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2006.

CITY OF NEWTON, MASSACHUSETTS

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2006

Note 13 - Donor Restricted Endowments

Permanent Fund and Private Purpose Trust Fund donors have placed restrictions on the expenditure of certain Permanent Fund and Private Purpose Trust Fund endowments. Local policy prohibits the expenditure of unrealized gains and, as a result, only realized gains and investment income on all such funds is available for expenditure. Furthermore, the expenditure of investment income is restricted by individual donor trust agreements.

Amounts available for expenditure related to Permanent Funds are reported as expendable permanent funds in the Statement of Net Assets and undesignated permanent funds in the Governmental Funds Balance Sheet. Amounts available for expenditure related to Private Purpose Trust Funds are reported as held in trust for other purposes in the Fiduciary Funds Statement of Fiduciary Net Assets.

Note 14 – Implementation of GASB Pronouncements

During fiscal year 2006, the City implemented the following GASB pronouncements:

- Statement #42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.
- Statement #46, *Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34*.
- Statement #47, *Accounting for Termination Benefits*.

The implementation of these pronouncements had no impact on the basic financial statements.

Note 15 – Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

- Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented during fiscal year 2007. This Statement will not impact the City's basic financial statements.
- Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2008. The City is currently evaluating the impact that this Statement will have on the basic financial statements.

These pronouncements will be implemented by the required year of implementation.

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Special Revenue Funds

School Lunch Fund:

This fund is used to account for the operations of the Newton Public School Department's student lunch program. Revenues are generated from the sale of lunches, state and federal reimbursement grants, and investment income. A formal budget is not adopted for this fund; however, expenditures can not exceed revenues plus the beginning fund balance. Any difference between fund revenues and expenditures is financed with a transfer from the School Department's general fund operating budget. It is the policy of the Newton Public school department to subsidize all fund employee benefit costs.

Revolving Fund

The Revolving Fund is used to account for a variety of municipal (non-educational) functions that are expected to be self-supporting, such as departmental private duty details. All revolving funds, except for damage recoveries of less than \$20,000; private duty details and assignments; wetlands protection and development review activities; and police asset forfeitures are authorized annually by vote of the Board of Aldermen under Massachusetts General Law Chapter 44, Section 53E ½. Fund expenditures are limited to the lesser of actual available resources or the annual spending limit authorized by the Board of Aldermen. Effective July 1, 2005, all school revolving fund activities have been reclassified to a separate School Revolving Fund.

Beginning on July 1, 2005, all Newton Public Schools revolving fund activity was transferred to a new School Revolving Fund. The Student Transportation and High School Parking revolving funds are authorized annually by vote of the Board of Aldermen under General Law Chapter 44, Section 53E ½.

Receipts Reserved Fund

This fund is used to account for a variety of local revenues whose use is either legally restricted by state law, or has been restricted by vote of the City's Board of Aldermen, for specific purposes and can only be spent with the prior appropriation of the Board of Aldermen. The fund is used to account for proceeds from the sale of surplus real estate, parking meter receipts, development mitigation funds, and revenues generated from cable television license agreements and the sale of recyclable materials. No expenditures can be made directly from the fund; rather, resources are appropriated and transferred to the City's general fund for expenditure.

Community Development Block Grant Fund

This fund is used to account for activities undertaken with federal Community Development Block Grant funds. The Mayor and Board of Aldermen approve each year's grant budget. This is a reimbursement grant.

Municipal Federal Grant Fund

This fund is used to account for a variety of categorical municipal federal grants. The Board of Aldermen approve annual grant budgets and grant budget obligations are generally limited to the lesser of actual available resources or the annual spending limit authorized by the Board.

Municipal State Grant Fund

This fund is used to account for a variety of categorical municipal state grants. The Board of Aldermen approve annual grant budgets and grant budget obligations are limited to the lesser of actual available resources or the annual spending limit authorized by the Board.

School State Grant Fund

This fund is used to account for all categorical public education state grants. The School Committee approves annual grant budgets and grant budgets are recorded upon receipt of approved grant agreements.

School Federal Grant Fund

This fund is used to account for all categorical public education federal grants. The School Committee approves annual grant budgets and grant budgets are recorded upon receipt of approved grant agreements.

Gift Fund

This fund is used to account for private gifts and donations that are unrelated to any other fund. Expenditures are limited to the lesser of actual available resources or the annual spending limit authorized by the Board of Aldermen and School Committee.

Community Development Authority Fund

This fund is used to account for the housing and economic development activities of the Newton Community Development Authority (the authority). The Director of Planning and Development serves as Chairman of the Authority, which is staffed by Planning and Development employees.

Capital Projects Funds

Public Building Improvements Fund

This fund is used to account for the acquisition, construction, reconstruction, and/or major renovation of non-educational buildings for which the City has not established a separate capital project fund. Financing is generally derived from the issuance of bonds or notes. Board of Aldermen appropriations are for the term of the project. The Public Building Commissioner is responsible for all projects accounted for in this fund. At June 30, 2006, the only project underway in this fund was a fire station renovation initiative.

Street Improvements Fund

This fund is used to account for the revenues and expenditures of the Commonwealth of Massachusetts Chapter 90 highway construction grant funds. Grant budgets are recorded based upon annual grant awards from the Commonwealth, Board of Aldermen authorization of annual spending authority, and approval of specific construction projects by the Massachusetts Highway Department. Chapter 90 highway construction grants are paid to the City on a reimbursement basis. The City finances grant expenditures internally until reimbursements are received from the Commonwealth. Grant revenue is recognized when approved expenditures are incurred and submitted to the Commonwealth for reimbursement. Effective July 1, 2005, this fund was reclassified to the Capital Project Funds from the Special Revenue Funds. A separate sub fund is maintained within the fund for each annual Chapter 90 grant agreement and individual project cost centers are maintained with each sub-fund for approved Chapter 90 projects.

Municipal Equipment Replacement Fund

This fund is used to account for the acquisition of public safety and public works motor equipment, financed with the issuance of debt.

Capital Stabilization Fund

The Capital Stabilization Fund is used to accumulate resources for future capital project financing. No expenditures are made directly from the fund. Funds are instead appropriated and transferred to another capital project fund or to the general fund for capital improvements and/or maintenance. Completed capital improvement and maintenance budget balances are closed out to this fund along with certain state and federal grants for capital purposes that have been funded originally with local resources. Separate fund balances are maintained within the fund for: future year high school renovation project financing; future year water and sewer project financing; future year general purpose capital project financing; and future year bonded capital project financing.

Permanent Funds

Municipal Fund

This fund is used to account for a variety of municipal purposes. A detailed report may be obtained from the comptroller's Office.

Library Common Fund

This fund is used to account for the purchase of library supplies and materials and the enhancement of public library services in Newton. The Newton Library Board of Trustees maintains custody of fund assets.

**CITY OF NEWTON, MASSACHUSETTS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2006

Special Revenue Funds

ASSETS	School Lunch	Revolving	Receipts Reserved	Community Development Block Grant
Cash and cash equivalents.....	\$ 436,536	\$ 2,820,789	\$ 3,652,250	\$ 250
Interest and dividends.....	-	-	-	-
Receivables, net of allowance for uncollectible amounts:				
Charges for services.....	-	456,001	-	-
Departmental and other.....	-	-	-	-
Intergovernmental.....	32,552	-	-	170,529
Loans.....	-	-	360,000	-
Other assets.....	-	-	-	-
Restricted assets:				
Cash and cash equivalents.....	-	31,373	-	-
Investments.....	-	-	-	-
TOTAL ASSETS.....	\$ 469,088	\$ 3,308,163	\$ 4,012,250	\$ 170,779
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 55,852	\$ 190,029	\$ -	\$ 17,826
Accrued liabilities.....	405	107,856	-	20,699
Accrued payroll.....	268,135	95,114	-	-
Liabilities due depositors.....	-	31,373	-	-
Deferred revenue.....	-	299,390	360,000	-
Due to other funds.....	-	-	-	132,004
TOTAL LIABILITIES.....	324,392	723,762	360,000	170,529
FUND BALANCES:				
Reserved for:				
Loans.....	-	-	360,000	-
Perpetual permanent funds.....	-	-	-	-
Other specific purposes.....	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds.....	144,696	2,584,401	3,292,250	250
Capital projects funds.....	-	-	-	-
Permanent funds.....	-	-	-	-
TOTAL FUND BALANCES.....	144,696	2,584,401	3,652,250	250
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 469,088	\$ 3,308,163	\$ 4,012,250	\$ 170,779

Special Revenue Funds

Municipal Federal Grant	Municipal State Grant	School State Grant	School Federal Grant	Gift	Community Development Authority	Sub-total
\$ 55,572	\$ 582,852	\$ 286,147	\$ -	\$ 993,554	\$ -	\$ 8,827,950
-	-	-	-	-	459,341	459,341
-	-	-	-	-	-	456,001
-	-	-	-	11,313	-	11,313
149,854	89,278	165,538	770,195	-	-	1,377,946
-	-	-	-	-	3,144,408	3,504,408
-	-	-	-	2,000	-	2,000
-	-	-	-	-	356,570	387,943
-	-	-	-	-	-	-
<u>\$ 205,426</u>	<u>\$ 672,130</u>	<u>\$ 451,685</u>	<u>\$ 770,195</u>	<u>\$ 1,006,867</u>	<u>\$ 3,960,319</u>	<u>\$ 15,026,902</u>
\$ 8,139	\$ 76,920	\$ 51,441	\$ 75,760	\$ 11,412	\$ -	\$ 487,379
8,943	50,139	218	4,842	11,290	318,261	522,653
560	18,326	78,515	239,682	24,603	-	724,935
-	-	-	-	-	-	31,373
7,027	-	-	-	-	-	666,417
126,507	-	-	425,812	-	-	684,323
<u>151,176</u>	<u>145,385</u>	<u>130,174</u>	<u>746,096</u>	<u>47,305</u>	<u>318,261</u>	<u>3,117,080</u>
-	-	-	-	-	3,144,408	3,504,408
-	-	-	-	-	-	-
54,250	526,745	321,511	24,099	959,562	-	1,886,167
-	-	-	-	-	497,650	6,519,247
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>54,250</u>	<u>526,745</u>	<u>321,511</u>	<u>24,099</u>	<u>959,562</u>	<u>3,642,058</u>	<u>11,909,822</u>
<u>\$ 205,426</u>	<u>\$ 672,130</u>	<u>\$ 451,685</u>	<u>\$ 770,195</u>	<u>\$ 1,006,867</u>	<u>\$ 3,960,319</u>	<u>\$ 15,026,902</u>

(Continued)

**CITY OF NEWTON, MASSACHUSETTS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2006

Capital Projects Funds

ASSETS	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Capital Stabilization	Sub-total
Cash and cash equivalents.....	\$ -	\$ -	\$ -	\$ 9,822,841	\$ 9,822,841
Interest and dividends.....	-	-	-	-	-
Receivables, net of allowance for uncollectible amounts:					
Charges for services.....	-	-	-	-	-
Departmental and other.....	-	-	-	-	-
Intergovernmental.....	-	210,041	-	-	210,041
Loans.....	-	-	-	-	-
Other assets.....	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents.....	825,055	-	1,523,397	-	2,348,452
Investments.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 825,055	\$ 210,041	\$ 1,523,397	\$ 9,822,841	\$ 12,381,334
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 278,321	\$ 18,501	\$ -	\$ -	\$ 296,822
Accrued liabilities.....	26,020	36,630	-	-	62,650
Accrued payroll.....	-	-	-	-	-
Liabilities due depositors.....	-	-	-	-	-
Deferred revenue.....	-	-	-	-	-
Due to other funds.....	9,951	22,453	-	-	32,404
TOTAL LIABILITIES.....	314,292	77,584	-	-	391,876
FUND BALANCES:					
Reserved for:					
Loans.....	-	-	-	-	-
Perpetual permanent funds.....	-	-	-	-	-
Other specific purposes.....	-	-	-	-	-
Unreserved:					
Undesignated, reported in:					
Special revenue funds.....	-	-	-	-	-
Capital projects funds.....	510,763	132,457	1,523,397	9,822,841	11,989,458
Permanent funds.....	-	-	-	-	-
TOTAL FUND BALANCES.....	510,763	132,457	1,523,397	9,822,841	11,989,458
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 825,055	\$ 210,041	\$ 1,523,397	\$ 9,822,841	\$ 12,381,334

Permanent Funds

<u>Municipal</u>	<u>Library Common</u>	<u>Sub-total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 18,650,791
-	-	-	459,341
-	-	-	456,001
-	-	-	11,313
-	-	-	1,587,987
-	-	-	3,504,408
-	-	-	2,000
256,564	106,788	363,352	3,099,747
<u>253,249</u>	<u>657,937</u>	<u>911,186</u>	<u>911,186</u>
\$ <u>509,813</u>	\$ <u>764,725</u>	\$ <u>1,274,538</u>	\$ <u>28,682,774</u>
\$ 328	\$ -	\$ 328	\$ 784,529
-	-	-	585,303
-	-	-	724,935
-	-	-	31,373
-	-	-	666,417
<u>-</u>	<u>-</u>	<u>-</u>	<u>716,727</u>
<u>328</u>	<u>-</u>	<u>328</u>	<u>3,509,284</u>
-	-	-	3,504,408
399,749	-	399,749	399,749
-	-	-	1,886,167
-	-	-	6,519,247
-	-	-	11,989,458
<u>109,736</u>	<u>764,725</u>	<u>874,461</u>	<u>874,461</u>
<u>509,485</u>	<u>764,725</u>	<u>1,274,210</u>	<u>25,173,490</u>
\$ <u>509,813</u>	\$ <u>764,725</u>	\$ <u>1,274,538</u>	\$ <u>28,682,774</u>

(Concluded)

CITY OF NEWTON, MASSACHUSETTS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Special Revenue Funds

	School Lunch	Revolving	Receipts Reserved	Community Development Block Grant
REVENUES				
Licenses, permits and fees.....	\$ -	\$ -	\$ 656,086	\$ -
Intergovernmental	450,548	-	-	2,846,399
Charges for services.....	2,642,205	6,689,692	923,310	-
Fines and forfeitures.....	-	29,566	-	-
Investment income.....	17,867	1,881	13,621	-
Contributions and donations.....	-	150,481	154,285	-
Miscellaneous.....	-	106,157	361,868	-
Special assessments.....	-	40,033	-	-
TOTAL REVENUES.....	3,110,620	7,017,810	2,109,170	2,846,399
EXPENDITURES				
Current:				
General government:				
Elections.....	-	-	-	-
Administrative support.....	-	-	-	-
Planning & development.....	-	135,889	-	2,846,399
Public building maintenance & operations.....	-	1,535	-	-
Public safety:				
Police.....	-	1,999,587	-	-
Fire.....	-	244,338	-	-
Inspectional services.....	-	2,365	-	-
Education.....	3,880,669	4,158,659	-	-
Public works:				
Streets & sidewalks.....	-	63,260	-	-
Collection & disposal of solid waste.....	-	-	-	-
Engineering.....	-	29,705	-	-
Health and human services:				
Public health.....	-	-	-	-
Human services.....	-	64,241	-	-
Culture and recreation:				
Libraries.....	-	39,234	-	-
Parks & recreation.....	-	1,165,988	-	-
Newton History museum.....	-	354	-	-
TOTAL EXPENDITURES.....	3,880,669	7,905,155	-	2,846,399
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(770,049)	(887,345)	2,109,170	-
OTHER FINANCING SOURCES (USES)				
Transfers in.....	907,691	1,537,859	7,672	-
Issuance of general obligation bonds.....	-	-	-	-
Sale of capital assets.....	-	-	9,833	-
Transfers out.....	-	(666,660)	(1,200,429)	-
TOTAL OTHER FINANCING SOURCES (USES).....	907,691	871,199	(1,182,924)	-
NET CHANGE IN FUND BALANCES.....	137,642	(16,146)	926,246	-
FUND BALANCES AT BEGINNING OF YEAR.....	7,054	2,600,547	2,726,004	250
FUND BALANCES AT END OF YEAR.....	\$ 144,696	\$ 2,584,401	\$ 3,652,250	\$ 250

Special Revenue Funds

Municipal Federal Grant	Municipal State Grant	School State Grant	School Federal Grant	Gift	Community Development Authority	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 656,086
1,694,030	1,132,623	6,136,122	4,271,681	-	-	16,531,403
-	-	-	-	-	-	10,255,207
-	-	-	-	-	-	29,566
574	297	-	-	17,108	104,814	156,162
-	-	2,624	-	622,226	-	929,616
-	500	-	-	45,020	-	513,545
-	-	-	-	-	-	40,033
<u>1,694,604</u>	<u>1,133,420</u>	<u>6,138,746</u>	<u>4,271,681</u>	<u>684,354</u>	<u>104,814</u>	<u>29,111,618</u>
-	5,375	-	-	-	-	5,375
-	3,113	-	-	3,725	-	6,838
1,601,435	10,500	-	-	-	301,078	4,895,301
17,715	526,974	-	-	-	-	546,224
171,866	98,997	-	-	208	-	2,270,658
-	28,973	-	-	29	-	273,340
-	-	-	-	-	-	2,365
-	-	5,839,528	4,465,409	429,558	-	18,773,823
-	24,365	-	-	-	-	87,625
-	38,586	-	-	-	-	38,586
-	-	-	-	-	-	29,705
16,110	192,081	-	-	-	-	208,191
22,001	136,277	-	-	30,855	-	253,374
11,757	143,002	-	-	-	-	193,993
2,892	42,006	-	-	74,372	-	1,285,258
-	-	-	-	-	-	354
<u>1,843,776</u>	<u>1,250,249</u>	<u>5,839,528</u>	<u>4,465,409</u>	<u>538,747</u>	<u>301,078</u>	<u>28,871,010</u>
<u>(149,172)</u>	<u>(116,829)</u>	<u>299,218</u>	<u>(193,728)</u>	<u>145,607</u>	<u>(196,264)</u>	<u>240,608</u>
-	-	-	-	-	-	2,453,222
-	-	-	-	-	-	-
-	-	-	-	-	-	9,833
<u>(2,000)</u>	<u>(2,541)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,871,630)</u>
<u>(2,000)</u>	<u>(2,541)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,425</u>
(151,172)	(119,370)	299,218	(193,728)	145,607	(196,264)	832,033
<u>205,422</u>	<u>646,115</u>	<u>22,293</u>	<u>217,827</u>	<u>813,955</u>	<u>3,838,322</u>	<u>11,077,789</u>
\$ <u>54,250</u>	\$ <u>526,745</u>	\$ <u>321,511</u>	\$ <u>24,099</u>	\$ <u>959,562</u>	\$ <u>3,642,058</u>	\$ <u>11,909,822</u>

(Continued)

CITY OF NEWTON, MASSACHUSETTS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Capital Projects Funds

	Public Building Improvements	Street Improvements	Municipal Equipment Replacement	Capital Stabilization	Sub-total
REVENUES					
Licenses, permits and fees.....	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	524,492	-	-	524,492
Charges for services.....	-	-	-	-	-
Fines and forfeitures.....	-	-	-	-	-
Investment income.....	-	-	-	-	-
Contributions and donations.....	-	-	-	-	-
Miscellaneous.....	-	-	-	-	-
Special assessments.....	-	-	-	-	-
TOTAL REVENUES.....	-	524,492	-	-	524,492
EXPENDITURES					
Current:					
General government:					
Elections.....	-	-	-	-	-
Administrative support.....	-	-	-	-	-
Planning & development.....	-	-	-	-	-
Public building maintenance & operations.....	10,201	-	-	-	10,201
Public safety:					
Police.....	-	-	-	-	-
Fire.....	-	-	-	-	-
Inspectional services.....	-	-	-	-	-
Education.....	811,109	-	-	-	811,109
Public works:					
Streets & sidewalks.....	-	859,841	213,603	-	1,073,444
Collection & disposal of solid waste.....	-	-	-	-	-
Engineering.....	-	-	-	-	-
Health and human services:					
Public health.....	-	-	-	-	-
Human services.....	-	-	-	-	-
Culture and recreation:					
Libraries.....	-	-	-	-	-
Parks & recreation.....	-	-	-	-	-
Newton History museum.....	-	-	-	-	-
TOTAL EXPENDITURES.....	821,310	859,841	213,603	-	1,894,754
EXCESS (DEFICIENCY) OF REVENUES					
 OVER EXPENDITURES.....	(821,310)	(335,349)	(213,603)	-	(1,370,262)
OTHER FINANCING SOURCES (USES)					
Transfers in.....	-	-	-	2,391,135	2,391,135
Issuance of general obligation bonds.....	1,314,000	524,000	1,737,000	-	3,575,000
Sale of capital assets.....	-	-	-	-	-
Transfers out.....	-	-	-	(649,997)	(649,997)
TOTAL OTHER FINANCING SOURCES (USES).....	1,314,000	524,000	1,737,000	1,741,138	5,316,138
NET CHANGE IN FUND BALANCES.....	492,690	188,651	1,523,397	1,741,138	3,945,876
FUND BALANCES AT BEGINNING OF YEAR.....	18,073	(56,194)	-	8,081,703	8,043,582
FUND BALANCES AT END OF YEAR.....	\$ 510,763	\$ 132,457	\$ 1,523,397	\$ 9,822,841	\$ 11,989,458

Permanent Funds

Municipal	Library Common	Sub-total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 656,086
-	-	-	17,055,895
-	-	-	10,255,207
-	-	-	29,566
11,536	8,698	20,234	176,396
-	257,420	257,420	1,187,036
-	-	-	513,545
-	-	-	40,033
<u>11,536</u>	<u>266,118</u>	<u>277,654</u>	<u>29,913,764</u>
-	-	-	5,375
-	-	-	6,838
-	-	-	4,895,301
54,078	-	54,078	610,503
-	-	-	2,270,658
-	-	-	273,340
-	-	-	2,365
-	-	-	19,584,932
-	-	-	1,161,069
-	-	-	38,586
-	-	-	29,705
-	-	-	208,191
-	-	-	253,374
-	354,723	354,723	548,716
100	-	100	1,285,358
3,159	-	3,159	3,513
<u>57,337</u>	<u>354,723</u>	<u>412,060</u>	<u>31,177,824</u>
<u>(45,801)</u>	<u>(88,605)</u>	<u>(134,406)</u>	<u>(1,264,060)</u>
-	-	-	4,844,357
-	-	-	3,575,000
-	-	-	9,833
-	-	-	(2,521,627)
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,907,563</u>
(45,801)	(88,605)	(134,406)	4,643,503
<u>555,286</u>	<u>853,330</u>	<u>1,408,616</u>	<u>20,529,987</u>
\$ <u>509,485</u>	\$ <u>764,725</u>	\$ <u>1,274,210</u>	\$ <u>25,173,490</u>

(Concluded)

Internal Service Funds

Health Insurance Fund

This fund is used to account for group health benefits for active and retired employees of the City. The City funds 80% of group health benefits, and employees contribute 20% of the cost through payroll deductions. The City maintains separate sub-funds for plans administered by Tufts Associated Health Plan and Harvard-Pilgrim Health.

Workers' Compensation Insurance Fund

This fund is used to account for workers' compensation benefits, replacement wages and medical benefits for qualified employees. The fund is also used to account for the cost of providing medical benefits to public safety employees who are injured in the line of duty. Replacement wages for public safety employees are accounted for in the General Fund operating budgets of the police and fire departments.

Building Insurance Fund

This fund is used to generate annual income, which is used to finance the City's annual property insurance premiums. Funds are transferred to the General Fund, based upon an annual authorization vote of the Board of Aldermen.

Liability Insurance Fund

This fund is used to accumulate resources to pay liability claims in excess of \$50,000. Liability claims of \$15,000 or more are financed from a judgment and settlement appropriation in the City's Solicitor's General Fund annual appropriation. Claims greater than \$5,000, but less than \$50,000 are financed with a transfer from the Reserve Fund annual appropriation in the General Fund.

CITY OF NEWTON, MASSACHUSETTS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF FUND NET ASSETS

JUNE 30, 2006

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
ASSETS					
Current assets:					
Cash and cash equivalents.....	\$ 9,269,295	\$ 589,612	\$ 287,034	\$ 205,222	\$ 10,351,163
Investments.....	-	6,008,506	1,611,780	-	7,620,286
Receivables, net of allowance for uncollectible amounts:					
Departmental and other.....	14,374	-	-	-	14,374
Working capital deposit.....	347,717	-	-	-	347,717
Total assets.....	9,631,386	6,598,118	1,898,814	205,222	18,333,540
LIABILITIES					
Current liabilities:					
Warrants payable.....	-	23,479	-	-	23,479
Accrued liabilities.....	52,850	102,422	-	-	155,272
Accrued payroll.....	-	65,000	-	-	65,000
Accrued health claims payable.....	5,962,403	-	-	-	5,962,403
Workers' compensation claims.....	-	994,000	-	-	994,000
Total current liabilities.....	6,015,253	1,184,901	-	-	7,200,154
Noncurrent liabilities:					
Workers' compensation claims.....	-	5,248,105	-	-	5,248,105
Total liabilities.....	6,015,253	6,433,006	-	-	12,448,259
FUND NET ASSETS					
Unrestricted.....	\$ 3,616,133	\$ 165,112	\$ 1,898,814	\$ 205,222	\$ 5,885,281

CITY OF NEWTON, MASSACHUSETTS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
OPERATING REVENUES					
Employer contributions.....	\$ 29,458,275	\$ 1,595,046	\$ -	\$ -	\$ 31,053,321
Employee contributions.....	7,660,719	-	-	-	7,660,719
TOTAL OPERATING REVENUES.....	37,118,994	1,595,046	-	-	38,714,040
OPERATING EXPENSES					
Change in incurred but not reported liability.....	730,097	379,931	-	-	1,110,028
Self insurance claims.....	34,934,424	1,807,351	-	-	36,741,775
Insurance premiums.....	367,890	-	-	-	367,890
Administrative expenses.....	2,215,226	103,037	-	-	2,318,263
TOTAL OPERATING EXPENSES.....	38,247,637	2,290,319	-	-	40,537,956
OPERATING INCOME (LOSS).....	(1,128,643)	(695,273)	-	-	(1,823,916)
NONOPERATING REVENUES (EXPENSES)					
Investment income.....	366,749	342,039	29,850	8,485	747,123
INCOME (LOSS) BEFORE TRANSFERS.....	(761,894)	(353,234)	29,850	8,485	(1,076,793)
TRANSFERS					
Transfers out.....	-	-	(277,582)	-	(277,582)
CHANGE IN FUND NET ASSETS.....	(761,894)	(353,234)	(247,732)	8,485	(1,354,375)
FUND NET ASSETS AT BEGINNING OF YEAR.....	4,378,027	518,346	2,146,546	196,737	7,239,656
FUND NET ASSETS AT END OF YEAR.....	\$ 3,616,133	\$ 165,112	\$ 1,898,814	205,222	\$ 5,885,281

CITY OF NEWTON, MASSACHUSETTS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Health Insurance	Workers' Compensation Insurance	Building Insurance	Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users.....	\$ 7,660,719	\$ -	\$ -	\$ -	\$ 7,660,719
Receipts from interfund services provided.....	29,443,902	1,595,046	-	-	31,038,948
Payments to vendors/providers.....	(37,664,183)	(1,798,181)	-	-	(39,462,364)
NET CASH FROM OPERATING ACTIVITIES.....	(559,562)	(203,135)	-	-	(762,697)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out.....	-	-	(277,582)	-	(277,582)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments.....	-	-	511,449	-	511,449
Purchase of investments.....	-	(249,634)	-	-	(249,634)
Investment income.....	366,749	342,039	29,850	8,485	747,123
NET CASH FROM INVESTING ACTIVITIES.....	366,749	92,405	541,299	8,485	1,008,938
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(192,813)	(110,730)	263,717	8,485	(31,341)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	9,462,108	700,342	23,317	196,737	10,382,504
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 9,269,295	\$ 589,612	\$ 287,034	\$ 205,222	\$ 10,351,163
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss).....	\$ (1,128,643)	\$ (695,273)	\$ -	\$ -	\$ (1,823,916)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	(14,373)	-	-	-	(14,373)
Working capital deposit.....	(3,698)	-	-	-	(3,698)
Warrants payable.....	(195,795)	(38,922)	-	-	(234,717)
Accrued payroll.....	-	65,000	-	-	65,000
Accrued liabilities.....	52,850	86,129	-	-	138,979
Accrued health claims payable.....	730,097	-	-	-	730,097
Workers' compensation.....	-	379,931	-	-	379,931
Total adjustments.....	569,081	492,138	-	-	1,061,219
NET CASH FROM OPERATING ACTIVITIES.....	\$ (559,562)	\$ (203,135)	\$ -	\$ -	\$ (762,697)



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Private Purpose Trust Funds

Chaffin Education Fund

This fund is used to account for higher education loans and grants issued to Newton high school graduates who are unable to afford the cost of college education. Revenues consist primarily of investment income on fund cash and investments.

Scovell Education Fund

This fund is used to account for prizes and awards to students for distinguished scholarships awarded at Newton high schools. The prizes are subject to approval of the School Committee. Revenues consist primarily of investment income on fund cash and investments.

Gorin Education Fund

This fund is used to account for loans to Newton high school graduates for attending institutions of higher education. Revenues consist primarily of investment income on fund cash and investments.

Cousens Welfare Fund

This fund is used to account for loans and or grants to Newton residents who qualify as poor. At least 90% of the annual income of the fund is to be distributed to the deserving poor and not more than 20% of this sum may be loaned to individuals who are temporarily in financial need. Revenues consist primarily of investment income on fund cash and investments.

School Scholarship Fund

This fund is used to account for a variety of public school scholarship funds. Detailed fund information is available from the City Comptroller's Office.

Kendrick Welfare Fund

This fund is used to account for distributions to needy industrious poor of Newton, especially widows and orphans.

Read Charity Fund

This fund is used to account for the perpetual maintenance of the donor's grave site, an annual sleigh ride or picnic for the children of the Newton Corner section of Newton, free lectures on scientific subjects in Newton Corner, library book purchases, and assistance to poor widows of the City. Revenues consist primarily of investment income on fund cash and investments.

Spear Infirmary Fund

The terms of the gift of this fund calls for the income to be used to "...provide cheer for the inmates of the City farm." The fund has been inactive for a number of years.

Mabel Riley Senior Fund

The terms of the gift of this fund calls for the income to be used for "...special treats for residents of nursing homes and homes for the elderly on holidays and for comforts for the sick throughout the year."

Elderly Tax Relief Fund

The City has accepted Massachusetts General Law Chapter 60, Section 3D, which authorizes the implementation of a voluntary tax check-off program for purposes of defraying real estate taxes for elderly and disabled Newton taxpayers with low incomes. This fund is used to account for the receipt of voluntary donations and awards voted by the Taxation Aid Committee.

Arnold Daniels Fund

Pursuant to the terms of the Arnold S. Daniels, Jr. Revocable Trust, dated July 20, 2000, this fund is used to assist needy residents of Newton by providing them with monetary distributions to provide food, shelter, and clothing.

CITY OF NEWTON, MASSACHUSETTS
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	Chaffin Education	Scovell Education	Gorin Education	Cousens Welfare
ASSETS				
Cash and cash equivalents.....	\$ 300,903	\$ 52,229	\$ -	\$ 699,799
Investments.....	4,210,215	855,748	-	1,174,644
Receivables, net of allowance for uncollectibles:				
Loans.....	109,598	-	26,163	-
Total assets.....	4,620,716	907,977	26,163	1,874,443
LIABILITIES				
Warrants payable.....	-	-	-	-
Other liabilities.....	7,575	-	-	-
Total liabilities.....	7,575	-	-	-
NET ASSETS				
Held in trust for other purposes.....	\$ 4,613,141	\$ 907,977	\$ 26,163	\$ 1,874,443

<u>School Scholarship</u>	<u>Kendrick Welfare</u>	<u>Read Charity</u>	<u>Spear Infirmary</u>	<u>Mabel Riley Senior</u>	<u>Elderly Tax Relief</u>	<u>Arnold Daniels Fund</u>	<u>Total</u>
\$ 761,668	\$ 3,292	\$ 43,976	4,127	\$ 33,667	\$ 9,869	\$ 52,152	\$ 1,961,682
384,370	-	-	-	-	-	-	6,624,977
-	-	-	-	-	-	-	135,761
<u>1,146,038</u>	<u>3,292</u>	<u>43,976</u>	<u>4,127</u>	<u>33,667</u>	<u>9,869</u>	<u>52,152</u>	<u>8,722,420</u>
264	-	-	-	-	-	-	264
-	-	-	-	-	-	-	7,575
<u>264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,839</u>
<u>\$ 1,145,774</u>	<u>\$ 3,292</u>	<u>\$ 43,976</u>	<u>4,127</u>	<u>\$ 33,667</u>	<u>\$ 9,869</u>	<u>\$ 52,152</u>	<u>\$ 8,714,581</u>

CITY OF NEWTON, MASSACHUSETTS
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Chaffin Education	Scovell Education	Gorin Education	Cousens Welfare
ADDITIONS				
Contributions:				
Private donations.....	\$ -	\$ -	\$ -	\$ 17,728
Net investment income:				
Interest.....	209,379	11,261	-	112,380
TOTAL ADDITIONS.....	209,379	11,261	-	130,108
DEDUCTIONS				
Administration expense.....	3,443	-	-	26,285
Educational scholarships & awards.....	236,904	30,250	1	59,666
TOTAL DEDUCTIONS.....	240,347	30,250	1	85,951
CHANGE IN NET ASSETS.....	(30,968)	(18,989)	(1)	44,157
NET ASSETS AT BEGINNING OF YEAR.....	4,644,109	926,966	26,164	1,830,286
NET ASSETS AT END OF YEAR.....	\$ 4,613,141	\$ 907,977	\$ 26,163	\$ 1,874,443

School Scholarship	Kendrick Welfare	Read Charity	Spear Infirmary	Mabel Riley Senior	Elderly Tax Relief	Arnold Daniels Fund	Total
\$ 148,245	\$ -	\$ -	\$ -	\$ -	\$ 16,823	\$ 50,000	\$ 232,796
39,910	131	1,810	164	1,338	605	2,152	379,130
188,155	131	1,810	164	1,338	17,428	52,152	611,926
-	-	1,400	-	-	-	-	31,128
7,519	-	-	-	-	15,000	-	349,340
7,519	-	1,400	-	-	15,000	-	380,468
180,636	131	410	164	1,338	2,428	52,152	231,458
965,138	3,161	43,566	3,963	32,329	7,441	-	8,483,123
\$ 1,145,774	\$ 3,292	\$ 43,976	\$ 4,127	\$ 33,667	\$ 9,869	\$ 52,152	\$ 8,714,581

Agency Fund

This fund is used to account for monies held on behalf of parties other than the City, such as state and federal agencies; independent not-for-profit organizations for which the City collects private donations; the Metro Fire District; and public school student activities.

CITY OF NEWTON, MASSACHUSETTS
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
ASSETS				
Cash and cash equivalents.....	\$ 1,634,242	\$ 178,433,501	\$ (177,663,056)	\$ 2,404,687
Receivables, net of allowance for uncollectibles:				
Loans.....	661,663	10,633	(672,296)	-
Total assets.....	<u>2,295,905</u>	<u>178,444,134</u>	<u>(178,335,352)</u>	<u>2,404,687</u>
LIABILITIES				
Warrants payable.....	26,386	88,875,271	(88,882,014)	19,643
Payroll withholdings.....	1,173,872	87,329,759	(86,623,890)	1,879,741
Other liabilities.....	<u>1,095,647</u>	<u>1,556,175</u>	<u>(2,146,519)</u>	<u>505,303</u>
Total liabilities.....	<u>\$ 2,295,905</u>	<u>\$ 177,761,205</u>	<u>\$ (177,652,423)</u>	<u>\$ 2,404,687</u>



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General Fund

This is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

CITY OF NEWTON, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	FY 2006 Original Budget	FY 2006 Budget Revisions
City Clerk/Clerk of the Board			
Personal Services	\$ -	\$ 759,389	\$ 47,264
Expenses	2,780	47,643	4,000
Fringe Benefits	-	193,416	21,412
Total City Clerk/Clerk of the Board	<u>2,780</u>	<u>1,000,448</u>	<u>72,676</u>
Mayor's Office			
Personal Services	-	504,691	20,622
Expenses	-	38,625	-
Fringe Benefits	-	74,969	129
Total Mayor's Office	<u>-</u>	<u>618,285</u>	<u>20,751</u>
Comptroller's Office/Property Insurance			
Personal Services	-	406,983	14,805
Expenses	5,176	342,452	-
Fringe Benefits	-	67,046	(798)
Total Comptroller's Office/Property Insurance	<u>5,176</u>	<u>816,481</u>	<u>14,007</u>
Purchasing/General Services			
Personal Services	-	279,790	14,883
Expenses	-	125,054	-
Capital Outlay	-	3,037	-
Fringe Benefits	-	50,314	(3,224)
Total Purchasing/General Services	<u>-</u>	<u>458,195</u>	<u>11,659</u>
Assessing Department			
Personal Services	-	945,471	46,573
Expenses	-	38,900	-
Fringe Benefits	-	135,638	350
Total Assessing Department	<u>-</u>	<u>1,120,009</u>	<u>46,923</u>
Treasury & Collection Department			
Personal Services	-	485,767	25,543
Expenses	11,378	411,269	45,000
Fringe Benefits	-	91,965	(2,803)
Total Treasury & Collection Department	<u>11,378</u>	<u>989,001</u>	<u>67,740</u>
City Solicitor/Judgments & Settlements			
Personal Services	-	756,334	36,169
Expenses	-	279,443	132,914
Fringe Benefits	-	91,629	118
Total City Solicitor's Office/Settlements	<u>-</u>	<u>1,127,406</u>	<u>169,201</u>

<u>FY 2006 Budget As Amended</u>	<u>Total Revised FY 2006 Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 806,653	\$ 806,653	\$ 778,390	\$ -	\$ 28,263
51,643	54,423	41,115	12,163	1,145
214,828	214,828	214,434	-	394
<u>1,073,124</u>	<u>1,075,904</u>	<u>1,033,939</u>	<u>12,163</u>	<u>29,802</u>
525,313	525,313	525,313	-	-
38,625	38,625	28,683	-	9,942
75,098	75,098	63,974	-	11,124
<u>639,036</u>	<u>639,036</u>	<u>617,970</u>	<u>-</u>	<u>21,066</u>
421,788	421,788	410,592	-	11,196
342,452	347,628	333,747	13,880	1
66,248	66,248	65,664	-	584
<u>830,488</u>	<u>835,664</u>	<u>810,003</u>	<u>13,880</u>	<u>11,781</u>
294,673	294,673	282,621	-	12,052
125,054	125,054	82,867	3,115	39,072
3,037	3,037	2,291	-	746
47,090	47,090	47,079	-	11
<u>469,854</u>	<u>469,854</u>	<u>414,858</u>	<u>3,115</u>	<u>51,881</u>
992,044	992,044	989,950	-	2,094
38,900	38,900	21,529	-	17,371
135,988	135,988	134,585	-	1,403
<u>1,166,932</u>	<u>1,166,932</u>	<u>1,146,064</u>	<u>-</u>	<u>20,868</u>
511,310	511,310	507,174	-	4,136
456,269	467,647	453,251	10,722	3,674
89,162	89,162	89,161	-	1
<u>1,056,741</u>	<u>1,068,119</u>	<u>1,049,586</u>	<u>10,722</u>	<u>7,811</u>
792,503	792,503	791,314	-	1,189
412,357	412,357	412,330	-	27
91,747	91,747	88,365	-	3,382
<u>1,296,607</u>	<u>1,296,607</u>	<u>1,292,009</u>	<u>-</u>	<u>4,598</u>

(Continued)

CITY OF NEWTON, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	FY 2006 Original Budget	FY 2006 Budget Revisions
Human Resources Department			
Personal Services	-	625,149	(64,193)
Expenses	21,900	174,092	-
Capital Outlay	-	1,700	-
Fringe Benefits	-	173,360	131,080
Total Human Resources Department	<u>21,900</u>	<u>974,301</u>	<u>66,887</u>
Information Technology Department			
Personal Services	-	634,723	31,834
Expenses	5,950	171,403	-
Capital Outlay	-	8,300	-
Fringe Benefits	-	85,656	175
Total Information Technology Department	<u>5,950</u>	<u>900,082</u>	<u>32,009</u>
Election Commission			
Personal Services	-	461,559	9,529
Expenses	2,900	77,670	4,500
Fringe Benefits	-	53,206	(4,636)
Total Election Commission	<u>2,900</u>	<u>592,435</u>	<u>9,393</u>
Licensing Commission			
Expenses	-	1,896	-
Total Licensing Commission	<u>-</u>	<u>1,896</u>	<u>-</u>
Planning & Development Department			
Personal Services	2,100	754,370	58,174
Expenses	41,718	47,072	29,691
Fringe Benefits	-	95,247	(3,772)
Total Planning & Development Department	<u>43,818</u>	<u>896,689</u>	<u>84,093</u>
Public Building Department			
Personal Services	-	1,299,239	110,924
Expenses	80,990	558,898	74,322
Fringe Benefits	-	265,035	(34,077)
Total Public Building Department	<u>80,990</u>	<u>2,123,172</u>	<u>151,169</u>
GENERAL GOVERNMENT TOTAL	<u>174,892</u>	<u>11,618,400</u>	<u>746,508</u>
Police Department			
Personal Services	-	12,076,392	1,081,393
Expenses	458	754,446	78,879
Capital Outlay	13,783	256,507	-
Fringe Benefits	-	1,823,018	39,165
Total Police Department	<u>14,241</u>	<u>14,910,363</u>	<u>1,199,437</u>

FY 2006 Budget As Amended	Total Revised FY 2006 Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
560,956	560,956	536,573	-	24,383
174,092	195,992	155,641	26,236	14,115
1,700	1,700	1,044	-	656
304,440	304,440	170,074	-	134,366
1,041,188	1,063,088	863,332	26,236	173,520
666,557	666,557	610,144	-	56,413
171,403	177,353	175,364	-	1,989
8,300	8,300	8,043	-	257
85,831	85,831	85,185	-	646
932,091	938,041	878,736	-	59,305
471,088	471,088	454,355	-	16,733
82,170	85,070	61,522	2,380	21,168
48,570	48,570	48,528	-	42
601,828	604,728	564,405	2,380	37,943
1,896	1,896	1,589	-	307
1,896	1,896	1,589	-	307
812,544	814,644	813,185	-	1,459
76,763	118,481	62,052	32,962	23,467
91,475	91,475	91,362	-	113
980,782	1,024,600	966,599	32,962	25,039
1,410,163	1,410,163	1,408,548	-	1,615
633,220	714,210	698,566	13,135	2,509
230,958	230,958	230,458	-	500
2,274,341	2,355,331	2,337,572	13,135	4,624
12,364,908	12,539,800	11,976,662	114,593	448,545
13,157,785	13,157,785	13,136,732	-	21,053
833,325	833,783	799,792	12,420	21,571
256,507	270,290	263,290	7,000	-
1,862,183	1,862,183	1,858,937	-	3,246
16,109,800	16,124,041	16,058,751	19,420	45,870

(Continued)

CITY OF NEWTON, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	FY 2006 Original Budget	FY 2006 Budget Revisions
Fire Department			
Personal Services	-	10,759,289	147,391
Expenses	343	520,985	46,810
Capital Outlay	7,963	27,000	-
Fringe Benefits	-	1,719,607	(595)
Total Fire Department	8,306	13,026,881	193,606
Inspectional Services Department			
Personal Services	-	695,737	82,800
Expenses	-	44,381	-
Fringe Benefits	-	122,494	9,417
Total Inspectional Services Department	-	862,612	92,217
Civil Defense Department			
Personal Services	-	4,000	-
Expenses	-	4,238	-
Fringe Benefits	-	6,433	(267)
Total Civil Defense Department	-	14,671	(267)
Weights & Measures Department			
Personal Services	-	51,840	2,630
Expenses	-	3,579	-
Fringe Benefits	-	7,405	15
Total Weights & Measures Department	-	62,824	2,645
Ambulance Service			
Expenses	-	2,000	-
Total Ambulance	-	2,000	-
PUBLIC SAFETY TOTAL	22,547	28,879,351	1,487,638
NEWTON PUBLIC SCHOOLS	183,129	137,405,240	(1,698,890)
Public Works Department			
Personal Services	-	6,419,513	962,653
Expenses	440,326	9,422,845	877,005
Capital Outlay	12,908	214,000	-
Fringe Benefits	-	1,387,722	(103,351)
Total Public Works Department	453,234	17,444,080	1,736,307
PUBLIC WORKS TOTAL	453,234	17,444,080	1,736,307

FY 2006 Budget As Amended	Total Revised FY 2006 Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
10,906,680	10,906,680	10,732,382	-	174,298
567,795	568,138	515,765	9,158	43,215
27,000	34,963	13,717	19,282	1,964
1,719,012	1,719,012	1,718,939	-	73
13,220,487	13,228,793	12,980,803	28,440	219,550
-	-	-	-	-
778,537	778,537	778,537	-	-
44,381	44,381	39,976	1,644	2,761
131,911	131,911	131,872	-	39
954,829	954,829	950,385	1,644	2,800
4,000	4,000	4,000	-	-
4,238	4,238	4,234	-	4
6,166	6,166	6,165	-	1
14,404	14,404	14,399	-	5
54,470	54,470	54,469	-	1
3,579	3,579	2,060	-	1,519
7,420	7,420	7,183	-	237
65,469	65,469	63,712	-	1,757
2,000	2,000	-	-	2,000
2,000	2,000	-	-	2,000
30,366,989	30,389,536	30,068,050	49,504	271,982
135,706,350	135,889,479	134,155,155	1,733,303	1,021
7,382,166	7,382,166	7,301,115	-	81,051
10,299,850	10,740,176	10,482,936	174,204	83,036
214,000	226,908	198,550	27,557	801
1,284,371	1,284,371	1,281,225	-	3,146
19,180,387	19,633,621	19,263,826	201,761	168,034
19,180,387	19,633,621	19,263,826	201,761	168,034

(Continued)

CITY OF NEWTON, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	FY 2006 Original Budget	FY 2006 Budget Revisions
Public Health Department			
Personal Services	-	1,769,964	134,424
Expenses	-	353,228	-
Fringe Benefits	-	307,754	(1,785)
Total Public Health Department	-	2,430,946	132,639
Human Services Department			
Personal Services	-	204,350	10,288
Expenses	-	239,918	-
Fringe Benefits	-	43,814	2,223
Total Human Services Department	-	488,082	12,511
Veteran Services Department			
Personal Services	-	123,829	6,390
Expenses	-	47,617	-
Fringe Benefits	-	10,453	60
Total Veteran Services Department	-	181,899	6,450
HEALTH & HUMAN SERVICES TOTAL	-	3,100,927	151,600
Newton Public Library			
Personal Services	-	3,191,454	143,130
Expenses	-	916,833	130,525
Fringe Benefits	-	528,199	(24,457)
Total Newton Public Library	-	4,636,486	249,198
Parks & Recreation Department			
Personal Services	-	2,210,950	244,939
Expenses	-	1,488,487	522,203
Capital Outlay	-	4,500	-
Fringe Benefits	-	336,406	(23,651)
Total Parks & Recreation Department	-	4,040,343	743,491
Newton History Museum			
Personal Services	-	166,252	8,529
Expenses	-	18,269	-
Fringe Benefits	-	16,261	5,218
Total Newton History Museum	-	200,782	13,747
CULTURE & RECREATION TOTAL	-	8,877,611	1,006,436

FY 2006 Budget As Amended	Total Revised FY 2006 Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
1,904,388	1,904,388	1,851,423	-	52,965
353,228	353,228	318,321	4,350	30,557
305,969	305,969	295,247	-	10,722
<u>2,563,585</u>	<u>2,563,585</u>	<u>2,464,991</u>	<u>4,350</u>	<u>94,244</u>
214,638	214,638	205,357	-	9,281
239,918	239,918	238,979	-	939
46,037	46,037	46,032	-	5
<u>500,593</u>	<u>500,593</u>	<u>490,368</u>	<u>-</u>	<u>10,225</u>
130,219	130,219	130,219	-	-
47,617	47,617	42,256	-	5,361
10,513	10,513	10,128	-	385
<u>188,349</u>	<u>188,349</u>	<u>182,603</u>	<u>-</u>	<u>5,746</u>
<u>3,252,527</u>	<u>3,252,527</u>	<u>3,137,962</u>	<u>4,350</u>	<u>110,215</u>
3,334,584	3,334,584	3,321,861	-	12,723
1,047,358	1,047,358	1,047,358	-	-
503,742	503,742	500,028	-	3,714
<u>4,885,684</u>	<u>4,885,684</u>	<u>4,869,247</u>	<u>-</u>	<u>16,437</u>
2,455,889	2,455,889	2,417,361	-	38,528
2,010,690	2,010,690	1,901,521	2,840	106,329
4,500	4,500	4,284	-	216
312,755	312,755	307,898	-	4,857
<u>4,783,834</u>	<u>4,783,834</u>	<u>4,631,064</u>	<u>2,840</u>	<u>149,930</u>
174,781	174,781	160,711	-	14,070
18,269	18,269	17,249	-	1,020
21,479	21,479	21,477	-	2
<u>214,529</u>	<u>214,529</u>	<u>199,437</u>	<u>-</u>	<u>15,092</u>
<u>9,884,047</u>	<u>9,884,047</u>	<u>9,699,748</u>	<u>2,840</u>	<u>181,459</u>

(Continued)

CITY OF NEWTON, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	FY 2006 Original Budget	FY 2006 Budget Revisions
OTHER			
Expenses	-	50,000	-
Total ATB Interest	-	50,000	-
 DEBT SERVICE (PRINCIPAL & INTEREST)			
Debt Service	-	6,831,388	413,625
Total Debt & Interest	-	6,831,388	413,625
 RETIREMENT			
Personal Services	-	148,293	3,171
Expenses	-	62,690	-
Fringe Benefits	-	18,285,038	32,058
Total Retirement	-	18,496,021	35,229
 APPROPRIATED RESERVES			
Wage & Salary Reserve	1,216,687	3,147,983	(2,901,946)
Reserve Fund (Budget Reserve)	-	695,000	(680,279)
Total Budgetary Reserves	1,216,687	3,842,983	(3,582,225)
 STATE & COUNTY ASSESSMENTS	-	5,061,806	92,294
 SPECIAL APPROPRIATIONS (2)	2,862,714	-	520,818
 TOTAL EXPENDITURES	4,913,203	241,607,807	909,340
 TRANSFERS TO OTHER FUNDS:			
Workers Comp Self Insurance Fund - Municipal	-	822,870	178,482
Workers Comp Self Insurance Fund - School	-	-	350,000
School Athletic Revolving Fund - School	-	-	871,198
School Lunch Fund - School	-	-	907,691
Traffic Mitigation Funds	-	-	7,672
Federal Grant Special Revenue Fund - Municipal	-	2,000	-
Capital Stabilization Fund	-	-	2,301,383
Total Transfers to Other Funds	-	824,870	4,616,426
 TOTAL EXPENDITURES AND TRANSFERS	\$ 4,913,203	\$ 242,432,677	\$ 5,525,766

<u>FY 2006 Budget As Amended</u>	<u>Total Revised FY 2006 Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
50,000	50,000	-	-	50,000
50,000	50,000	-	-	50,000
7,245,013	7,245,013	7,245,009	-	4
7,245,013	7,245,013	7,245,009	-	4
151,464	151,464	151,144	-	320
62,690	62,690	62,690	-	-
18,317,096	18,317,096	18,311,319	-	5,777
18,531,250	18,531,250	18,525,153	-	6,097
246,037	1,462,724	-	1,462,724	-
14,721	14,721	-	-	14,721
260,758	1,477,445	-	1,462,724	14,721
5,154,100	5,154,100	5,209,013	-	(54,913)
520,818	3,383,532	1,312,163	2,071,369	-
242,517,147	247,430,350	240,592,741	5,640,444	1,197,165
1,001,352	1,001,352	1,001,352	-	-
350,000	350,000	350,000	-	-
871,198	871,198	871,198	-	-
907,691	907,691	907,691	-	-
7,672	7,672	7,672	-	-
2,000	2,000	-	-	2,000
2,301,383	2,301,383	2,301,383	-	-
5,441,296	5,441,296	5,439,296	-	2,000
<u>247,958,443</u>	<u>252,871,646</u>	<u>246,032,037</u>	<u>5,640,444</u>	<u>1,199,165</u>

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Community Preservation Fund

This fund accounts for the 1% local property tax surcharge that the voters of the City approved in November of 2001 for open space, historic resource and affordable housing purposes. The Commonwealth of Massachusetts currently matches local surcharge revenue on a dollar for dollar basis.

The Board of Aldermen has appropriation authority over all community preservation funds; however, all appropriation recommendations must originate with the nine member community preservation committee.

CITY OF NEWTON, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	Current Year Appropriations	Original Budget
Administration & operations	\$ 3,870	182,127	\$ 185,997
2006 CPA appropriation reserve	-	-	-
Open space:			
Open space reserve	-	-	-
Kessler Woods land acquisition	3,684	-	3,684
Elgin Street conservation land	5,791	-	5,791
Flowed Meadow improvements	68,215	-	68,215
Flowed Meadow improvements Phase III	30,700	-	30,700
Bowen Park initiative	-	-	-
Cheesecake Brook Greenway development	-	-	-
Renovations to Albemarle Park Central Corridor	-	-	-
Forte conservation land	4,865	-	4,865
Angino farm land acquisition	114,170	-	114,170
Angino farm debt service	-	209,430	209,430
Kessler Woods debt service	-	615,750	615,750
Total - Open space projects	227,425	825,180	1,052,605
Historic resources:			
Historic preservation reserve	-	-	-
City Hall window replacement	74,600	-	74,600
City Hall balustrade replacement	-	-	-
City Hall lighting improvement	10,600	-	10,600
City Hall landscape plan	40,000	-	40,000
Newton Corner Library improvements	219,609	-	219,609
Newton Centre Health Dept building study	-	-	-
Historical burial grounds restoration	153,561	-	153,561
Historical burial grounds restoration Phase II	257,395	-	257,395
Angino farm land acquisition	38,384	-	38,384
Angino farm farmhouse deleading	-	-	-
Angino farm debt service	-	69,810	69,810
Washington Park historic lighting	131,035	-	131,035
Civil war monument repairs	15,000	-	15,000
War Memorial steps repair design	15,000	-	15,000
Durant Kenrick Homestead Needs assessment	-	-	-
Brigham house restoration study	5,900	-	5,900
Brigham house restoration	-	-	-
248 Eliot Street Housing assistance	63,290	-	63,290
248 Eliot Street Clapboard restoration	-	-	-
West Suburban YMCA window replacement	160,273	-	160,273
Historic district signs	1,600	-	1,600
Total - Historic preservation	1,186,247	69,810	1,256,057

Budget Revisions	Final Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ -	\$ 185,997	\$ 148,631	\$ -	\$ 37,366
8,058	8,058	-	-	8,058
17,000	17,000	-	-	17,000
-	3,684	-	3,684	-
(2,459)	3,332	3,331	-	1
(17,000)	51,215	47,622	3,593	-
-	30,700	-	30,700	-
8,090	8,090	1,346	6,744	-
3,500	3,500	-	3,500	-
4,600	4,600	-	4,600	-
-	4,865	1,614	3,251	-
-	114,170	43,648	70,522	-
-	209,430	209,430	-	-
-	615,750	615,750	-	-
13,731	1,066,336	922,741	126,594	17,001
96,567	96,567	-	-	96,567
-	74,600	74,600	-	-
-	-	-	-	-
(10,600)	-	-	-	-
650	40,650	40,650	-	-
55,700	275,309	258,141	17,168	-
26,425	26,425	-	26,425	-
(18,500)	135,061	31,955	103,106	-
-	257,395	13,800	243,595	-
-	38,384	-	38,384	-
70,000	70,000	-	70,000	-
-	69,810	69,810	-	-
-	131,035	16,500	114,535	-
-	15,000	4,250	10,750	-
-	15,000	5,281	9,719	-
78,500	78,500	896	77,604	-
-	5,900	3,004	2,896	-
250,700	250,700	-	250,700	-
-	63,290	-	63,290	-
43,600	43,600	-	43,600	-
-	160,273	147,846	12,427	-
(892)	708	708	-	-
592,150	1,848,207	667,441	1,084,199	96,567

(Continued)

CITY OF NEWTON, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL - LEGAL LEVEL OF CONTROL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	Current Year Appropriations	Original Budget
Community housing:			
Accessory Apartment Incentive Program	-	-	-
Millhouse Commons Housing Assistance	-	-	-
Newton Homebuyer Assistance Program	290,209	-	290,209
Newton Homebuyer Assistance Program II	-	-	-
248 Eliot Street Housing Assistance	511,710	-	511,710
11-13 Cambria Road Housing Assistance	-	-	-
Covenant House	-	-	-
Wyman Street Housing Assistance	1,000,000	-	1,000,000
Falmouth/Jackson Roads Housing Assistance	550,000	-	550,000
Pelham House	124,730	-	124,730
Total - community housing	<u>2,476,649</u>	<u>-</u>	<u>2,476,649</u>
Community recreation:			
Forte Park improvements	222,770	-	222,770
Farlow/Chafin Park Preservation Plan	-	-	-
Newton Centre Playground Plan	-	-	-
Memorial-Spaulding outdoor classroom	73	-	73
Albemarle community classroom	12,518	-	12,518
Cabot outdoor classroom	60,898	-	60,898
Bowen Park initiative	-	-	-
Bowen field irrigation	29,800	-	29,800
West Newton common irrigation	57,613	-	57,613
Newton Highlands Playground Strategic Design	-	-	-
Renovations to Albemarle Park Central Corridor	-	-	-
Cheesecake Brook Greenway development	-	-	-
Angino farm land acquisition	38,384	-	38,384
Angino farm debt service	-	69,810	69,810
Sterns/Pellegrini Park plans	25,096	-	25,096
Sterns/Pellegrini Park - Year 1 improvements	-	-	-
Williams school outdoor classroom	-	-	-
Wellington Park improvements	64,000	-	64,000
Gath pool accessibility improvements	120,875	-	120,875
The Park at Newton Senior Center	271,210	-	271,210
Houghton garden fence	90,000	-	90,000
Total - community recreation	<u>993,237</u>	<u>69,810</u>	<u>1,063,047</u>
TOTAL CPA FUND	<u><u>\$ 4,887,428</u></u>	<u><u>\$ 1,146,927</u></u>	<u><u>\$ 6,034,355</u></u>

Budget Revisions	Final Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
320,550	320,550	7,422	313,128	-
738,383	738,383	696,731	41,652	-
-	290,209	290,209	-	-
208,250	208,250	39,719	168,531	-
-	511,710	511,710	-	-
351,025	351,025	350,850	175	-
1,207,825	1,207,825	-	1,207,825	-
-	1,000,000	1,000,000	-	-
-	550,000	550,000	-	-
-	124,730	124,730	-	-
2,826,033	5,302,682	3,571,371	1,731,311	-
-	222,770	211,995	10,775	-
52,177	52,177	37,367	14,810	-
67,853	67,853	60,086	7,767	-
(73)	-	-	-	-
-	12,518	-	12,518	-
-	60,898	11,848	49,050	-
196,910	196,910	11,246	185,664	-
-	29,800	29,800	-	-
(57,478)	135	135	-	-
92,080	92,080	-	92,080	-
28,800	28,800	-	28,800	-
21,600	21,600	-	21,600	-
-	38,384	-	38,384	-
-	69,810	69,810	-	-
(5,454)	19,642	19,642	-	-
765,825	765,825	-	765,825	-
23,633	23,633	-	23,633	-
-	64,000	6,897	57,103	-
1,600	122,475	45,721	76,754	-
-	271,210	-	271,210	-
-	90,000	-	90,000	-
1,187,473	2,250,520	504,547	1,745,973	-
<u>\$ 4,627,445</u>	<u>\$ 10,661,800</u>	<u>\$ 5,814,731</u>	<u>\$ 4,688,077</u>	<u>\$ 158,992</u>

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Additional Information

CITY OF NEWTON, MASSACHUSETTS
CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	FY 2006 Appropriations	Transfers
School Building Improvement Fund:			
Peirce Elementary Window & Door Replacement	\$ 560,000	\$ -	\$ -
Countryside Roof Repairs	149,000	-	-
Peirce Elementary School Repairs	-	100,000	-
Ward Elementary School Repairs	-	100,000	-
Elementary School Boiler Replacement	423,074	-	-
Total School Building Improvement Fund	<u>1,132,074</u>	<u>200,000</u>	<u>-</u>
High School Renovation Fund:			
Newton South High School Renovations	1,172,962	209,880	502,652
Newton North High School Renovations	40,644,569	-	(37,012,047)
Total High School Renovation Fund	<u>41,817,531</u>	<u>209,880</u>	<u>(36,509,395)</u>
Municipal Building Improvement Fund:			
Fire Station Improvements	-	150,000	-
Total Municipal Building Improvement Fund	<u>-</u>	<u>150,000</u>	<u>-</u>
CH 90 Highway Improvement Fund:			
MA 37748	32,754	-	-
MA 38105	7,536	-	-
MA 38506	23,070	-	-
MA 385060	350,660	-	-
MA 235200	186,807	-	-
MA 253C207	59,590	-	-
MA 3246207	271,357	-	-
MA 4246210	524,001	-	-
MA 450135509	1,373,328	-	-
MA 0044606	1,368,364	-	-
Total CH 90 Highway Improvement Fund	<u>4,197,467</u>	<u>-</u>	<u>-</u>
Street & Sidewalk Improvement Fund:			
Street Betterment Project - 2005	461,347	(126,000)	-
Total Street & Sidewalk Improvement Fund	<u>461,347</u>	<u>(126,000)</u>	<u>-</u>
Municipal Equipment Replacement Fund:			
Public Works Equipment Replacement - 2006	-	887,000	-
Fire Equipment Replacement - 2006	-	850,000	-
Total Municipal Equipment Replacement Fund	<u>-</u>	<u>1,737,000</u>	<u>-</u>
Water System Improvement Fund:			
MWRA - Water System - Accumulated Interest Income	346,611	277,095	-
MWRA - Water System Improvements - Loan of 2002	146,358	-	-
MWRA - Water System Improvements - Loan of 2003	1,532,191	-	-
MWRA - Water System Improvements - Loan of 2004	2,586,019	-	-
MWRA - Water System Improvements - Loan of 2005	2,586,019	-	-
MWRA - Water System Improvements - Loan of 2006	-	2,586,019	-
Waban Hill Reservoir Improvements - 2001/2003	276,287	-	-
Total Water System Improvement Fund	<u>7,473,485</u>	<u>2,863,114</u>	<u>-</u>

Expended	Encumbered	Balance
\$ 251,000	\$ 190,100	\$ 118,900
122,204	-	26,796
-	-	100,000
27,000	73,000	-
410,906	12,000	168
811,110	275,100	245,864
1,811,844	22,852	50,798
1,737,731	-	1,894,791
3,549,575	22,852	1,945,589
10,201	-	139,799
10,201	-	139,799
3,200	29,554	-
-	-	7,536
-	23,070	-
63,689	55,536	231,435
-	14,173	172,634
-	-	59,590
89,131	163,845	18,381
342,081	44,956	136,964
26,390	218,008	1,128,930
-	-	1,368,364
524,491	549,142	3,123,834
335,347	-	-
335,347	-	-
213,603	650,269	23,128
-	-	850,000
213,603	650,269	873,128
-	-	623,706
146,358	-	-
1,224,188	308,003	-
665,730	1,236,256	684,033
434,403	2,142,766	8,850
481	-	2,585,538
-	-	276,287
2,471,160	3,687,025	4,178,414

(Continued)

CITY OF NEWTON, MASSACHUSETTS
CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	FY 2006 Appropriations	Transfers
Sanitary Sewer Improvement Fund:			
Sewer System Improvements - 1997 (City of Newton)	30,078	-	-
Lexington Street Sewer Extension - 2002 (City of Newton)	130,229	-	(130,229)
Sewer Emergency Repairs (City of Newton)	-	-	132,770
Mass Water Pollution Abatement Trust (MWPAT) - Infiltration/Inflow Projects	76,426	-	-
MWRA - Sewer I&I - Accumulated Interest Income	27,597	8,935	-
MWRA - Infiltration/Inflow Program - 1995	9,303	-	-
MWRA - Infiltration/Inflow Program - 1997	14,758	-	-
MWRA - Infiltration/Inflow - 2000	5,268	-	-
MWRA - Infiltration/Inflow - 2002	20,669	-	-
MWRA - Infiltration/Inflow - 2003	82,544	-	-
MWRA - Infiltration/Inflow - 2006	-	95,500	-
Total Sanitary Sewer Improvement Fund	<u>396,872</u>	<u>104,435</u>	<u>2,541</u>
Capital Stabilization Fund:			
Reserved for Ordinary Capital Appropriations	234,423	-	51,273
Reserved for Forte Park Development	-	-	-
Reserved for High School Renovations	7,832,032	-	1,600,114
Reserved for Water/Sewer Appropriations	15,247	-	89,753
Reserved for MGL CH 44 Sec 7& 8 Appropriations	-	-	-
Total Capital Stabilization Fund	<u>8,081,702</u>	<u>-</u>	<u>1,741,140</u>
Total Capital Projects Funds	\$ <u><u>63,560,478</u></u>	\$ <u><u>5,138,429</u></u>	\$ <u><u>(34,765,714)</u></u>

Expended	Encumbered	Balance
22,114	-	7,964
-	-	-
89,699	8,377	34,694
74,664	1,644	118
-	-	36,532
-	-	9,303
-	-	14,758
-	-	5,268
2,643	11,426	6,600
-	-	82,544
5,188	34,812	55,500
<u>194,308</u>	<u>56,259</u>	<u>253,281</u>
-	-	285,696
-	-	-
-	-	9,432,146
-	-	105,000
-	-	-
<u>-</u>	<u>-</u>	<u>9,822,842</u>
<u>\$ 8,109,795</u>	<u>\$ 5,240,647</u>	<u>\$ 20,582,751</u>

(Concluded)

CITY OF NEWTON, MASSACHUSETTS
SEWER ENTERPRISE FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	FY 2006 Original Budget	FY 2006 Budget Revisions
Sewer Maintenance & Operation			
Personal Services	\$ -	\$ 1,909,089	\$ (837)
Expenses	20,110	746,579	-
Capital Outlay	77,642	585,333	-
Fringe Benefits	-	366,159	-
Total	<u>97,752</u>	<u>3,607,160</u>	<u>(837)</u>
MWRA Sewer Assessment			
Intergovernmental	<u>-</u>	<u>14,063,898</u>	<u>-</u>
Debt Maturities & Interest	<u>-</u>	<u>884,725</u>	<u>-</u>
Retirement	<u>-</u>	<u>181,880</u>	<u>-</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>100,000</u>	<u>837</u>
Transfer - Capital Stabilization Fund	<u>-</u>	<u>-</u>	<u>44,876</u>
Transfer - General Fund	<u>-</u>	<u>710,050</u>	<u>-</u>
Total Sewer Enterprise Fund	\$ <u>97,752</u>	\$ <u>19,547,713</u>	\$ <u>44,876</u>

FY 2006 Budget As Amended	Total Revised FY 2006 Budget	Expended	Encumbrances/ Continued Appropriations	Closed to Fund Balance
\$ 1,908,252	\$ 1,908,252	\$ 1,657,929	\$ -	\$ 250,323
746,579	766,689	752,024	11,171	3,494
585,333	662,975	449,488	204,829	8,658
366,159	366,159	269,596	-	96,563
<u>3,606,323</u>	<u>3,704,075</u>	<u>3,129,037</u>	<u>216,000</u>	<u>359,038</u>
 14,063,898	 14,063,898	 13,884,034	 -	 179,864
 884,725	 884,725	 884,722	 -	 3
 181,880	 181,880	 181,880	 -	 -
 100,837	 100,837	 100,837	 -	 -
 44,876	 44,876	 44,876	 -	 -
 710,050	 710,050	 710,050	 -	 -
 \$ <u>19,592,589</u>	 \$ <u>19,690,341</u>	 \$ <u>18,935,436</u>	 \$ <u>216,000</u>	 \$ <u>538,905</u>

CITY OF NEWTON, MASSACHUSETTS
WATER ENTERPRISE FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
BUDGET TO ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Continued Appropriations	FY 2006 Original Budget	FY 2006 Budget Revisions
Water Maintenance & Operation			
Personal Services	\$ -	\$ 1,581,222	\$ (15,857)
Expenses	155,523	582,220	-
Capital Outlay	594,475	910,000	-
Fringe Benefits	-	246,513	-
Total	<u>749,998</u>	<u>3,319,955</u>	<u>(15,857)</u>
Debt Maturities & Interest	<u>-</u>	<u>1,327,885</u>	<u>-</u>
Retirement	<u>-</u>	<u>296,641</u>	<u>-</u>
MWRA/DEP Assessments & Charges	<u>-</u>	<u>7,548,019</u>	<u>-</u>
Transfer - Capital Project Fund	<u>-</u>	<u>-</u>	<u>44,877</u>
Transfer - Sewer Fund	<u>-</u>	<u>545,765</u>	<u>-</u>
Transfer - General Fund	<u>-</u>	<u>473,366</u>	<u>7,500</u>
Transfer - Workers Compensation Fund	<u>-</u>	<u>127,000</u>	<u>15,857</u>
Total Water Enterprise Fund	<u><u>\$ 749,998</u></u>	<u><u>\$ 13,638,631</u></u>	<u><u>\$ 52,377</u></u>

<u>FY 2006 Budget As Amended</u>	<u>Total Revised FY 2006 Budget</u>	<u>Expended</u>	<u>Encumbrances/ Continued Appropriations</u>	<u>Closed to Fund Balance</u>
\$ 1,565,365	\$ 1,565,365	\$ 1,327,269	\$ -	\$ 238,096
582,220	737,743	524,967	172,295	40,481
910,000	1,504,475	478,475	1,022,259	3,741
246,513	246,513	226,890	-	19,623
<u>3,304,098</u>	<u>4,054,096</u>	<u>2,557,601</u>	<u>1,194,554</u>	<u>301,941</u>
 1,327,885	 1,327,885	 1,327,885	 -	 -
 296,641	 296,641	 290,268	 -	 6,373
 7,548,019	 7,548,019	 7,413,972	 -	 134,047
 44,877	 44,877	 44,877	 -	 -
 545,765	 545,765	 545,765	 -	 -
 480,866	 480,866	 480,866	 -	 -
 142,857	 142,857	 142,857	 -	 -
 \$ <u>13,691,008</u>	 \$ <u>14,441,006</u>	 \$ <u>12,804,091</u>	 \$ <u>1,194,554</u>	 \$ <u>442,361</u>



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STATISTICAL SECTION

Statistical Section

This part of the City of Newton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends (pages 108 – 113)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity (pages 114 – 117)

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity (pages 118 – 121)

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information (pages 122 – 123)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information (pages 124 – 125)

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

NET ASSETS BY COMPONENT
(ACCRUAL BASIS OF ACCOUNTING)

LAST FIVE FISCAL YEARS*

	2002		2003		2004		2005		2006
Governmental Activities									
Invested in capital assets, net of related debt.....	\$ 70,967,240	\$	92,639,519	\$	123,155,756	\$	153,522,317	\$	153,034,916
Restricted.....	22,632,374		15,043,594		15,543,141		17,283,859		15,416,377
Unrestricted.....	<u>37,927,519</u>		<u>26,632,627</u>		<u>36,587,229</u>		<u>43,689,570</u>		<u>52,455,744</u>
Total governmental activities net assets.....	<u>\$ 131,527,133</u>	\$	<u>134,315,740</u>	\$	<u>175,286,126</u>	\$	<u>214,495,746</u>	\$	<u>220,907,037</u>
Business-Type Activities									
Invested in capital assets, net of related debt.....	\$ 25,071,997	\$	34,443,175	\$	30,030,771	\$	30,171,832	\$	31,405,072
Restricted.....	-		732,707		214,757		374,208		660,238
Unrestricted.....	<u>23,272,576</u>		<u>15,104,456</u>		<u>19,204,151</u>		<u>21,212,947</u>		<u>23,532,298</u>
Total business-type activities net assets.....	<u>\$ 48,344,573</u>	\$	<u>50,280,338</u>	\$	<u>49,449,679</u>	\$	<u>51,758,987</u>	\$	<u>55,597,608</u>
Primary Government									
Invested in capital assets, net of related debt.....	\$ 96,039,237	\$	127,082,694	\$	153,186,527	\$	183,694,149	\$	184,439,988
Restricted.....	22,632,374		15,776,301		15,757,898		17,658,067		16,076,615
Unrestricted.....	<u>61,200,095</u>		<u>41,737,083</u>		<u>55,791,380</u>		<u>64,902,517</u>		<u>75,988,042</u>
Total primary government net assets.....	<u>\$ 179,871,706</u>	\$	<u>184,596,078</u>	\$	<u>224,735,805</u>	\$	<u>266,254,733</u>	\$	<u>276,504,645</u>

* Data is being accumulated from fiscal year 2002 forward.

GOVERNMENTAL ACTIVITIES
CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING)

LAST FIVE FISCAL YEARS*

	2002	2003	2004	2005	2006
Expenses					
General government.....	\$ 17,864,831	\$ 20,149,255	\$ 20,594,439	\$ 19,457,121	\$ 24,910,337
Public safety.....	45,465,764	40,635,284	40,102,814	41,690,193	43,062,252
Education.....	134,259,240	157,020,633	162,268,826	175,722,669	181,638,581
Public works.....	18,502,301	18,987,391	19,755,181	23,440,299	21,666,417
Health and human services.....	10,378,352	9,119,333	8,470,667	8,864,530	8,979,409
Culture and recreation.....	11,873,650	11,805,253	12,252,669	14,253,032	13,802,334
Debt service - interest.....	2,122,459	2,055,115	2,121,882	2,570,332	2,350,756
Total expenses.....	240,466,597	259,772,264	265,566,478	285,998,176	296,410,086
Program Revenues					
Charges for services.....	18,114,260	19,697,646	19,253,150	20,056,263	21,298,907
Operating grants and contributions.....	41,212,820	44,359,902	43,501,432	48,847,308	50,634,476
Capital grants and contributions.....	6,420,028	2,686,298	1,810,615	36,589,529	642,315
Total program revenues.....	65,747,108	66,743,846	64,565,197	105,493,100	72,575,698
Net (expense)/revenue.....	(174,719,489)	(193,028,418)	(201,001,281)	(180,505,076)	(223,834,388)
General Revenues and Other Changes in Net Assets					
Real estate and personal property taxes.....	160,622,246	178,891,217	187,446,868	192,457,450	200,966,839
Motor vehicle and other excise taxes.....	10,108,340	10,006,839	10,537,142	11,202,714	10,803,654
Hotel/motel taxes.....	1,291,950	1,151,838	851,157	979,194	1,060,052
Penalties and interest on taxes.....	791,560	1,027,184	957,072	1,166,429	830,030
Payments in lieu of taxes.....	1,190,418	449,556	340,010	529,600	553,920
Community preservation surcharges.....	1,522,800	1,813,888	1,829,757	1,893,219	1,963,982
Grants and contributions not restricted to specific programs.....	7,319,604	6,447,414	7,572,440	7,988,751	8,353,727
Unrestricted investment income.....	2,185,703	1,485,848	949,028	1,687,125	3,290,981
Gain (Loss) on sale of capital assets.....	-	-	(48,600)	36,000	10,702
Other.....	214,750	665,612	1,065,172	554,259	1,133,664
Transfers, net.....	999,141	1,230,245	1,305,717	1,219,955	1,278,128
Total general revenues and other changes in net assets.....	186,246,512	203,169,641	212,805,763	219,714,696	230,245,679
Change in net assets.....	\$ 11,527,023	\$ 10,141,223	\$ 11,804,482	\$ 39,209,620	\$ 6,411,291

* Data is being accumulated from fiscal year 2002 forward.

BUSINESS-TYPE ACTIVITIES
CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING)

LAST FIVE FISCAL YEARS*

	2002	2003	2004	2005	2006
Expenses					
Sewer.....	\$ 17,206,366	\$ 17,749,399	\$ 18,167,283	\$ 17,891,749	\$ 18,404,780
Water.....	8,144,940	9,138,695	9,465,285	10,045,997	10,939,117
Golf.....	208,971	158,753	124,896	206,744	164,470
Total expenses.....	25,560,277	27,046,847	27,757,464	28,144,490	29,508,367
Program Revenues					
Charges for services.....	31,953,346	28,775,807	27,416,421	30,100,040	33,310,333
Operating grants and contributions.....	4,178,080	910,623	764,107	1,414,263	985,778
Capital grants and contributions.....	300,075	609,076	51,994	159,450	329,005
Total program revenues.....	36,431,501	30,295,506	28,232,522	31,673,753	34,625,116
Net (expense)/revenue.....	10,871,224	3,248,659	475,058	3,529,263	5,116,749
Transfers					
Transfers, net.....	(999,141)	(1,230,245)	(1,305,717)	(1,219,955)	(1,278,128)
Change in net assets.....	\$ 9,872,083	\$ 2,018,414	\$ (830,659)	\$ 2,309,308	\$ 3,838,621

* Data is being accumulated from fiscal year 2002 forward.

PRIMARY GOVERNMENT
CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING)

LAST FIVE FISCAL YEARS*

	2002	2003	2004	2005	2006
Total expenses.....	\$ 266,026,874	\$ 286,819,111	\$ 293,323,942	\$ 314,142,666	\$ 325,918,453
Total program revenues.....	102,178,609	97,039,352	92,797,719	137,166,853	107,200,814
Net (expense)/revenue.....	(163,848,265)	(189,779,759)	(200,526,223)	(176,975,813)	(218,717,639)
Total general revenues, transfers and other changes in net assets.....	185,247,371	201,939,396	211,500,046	218,494,741	228,967,551
Change in net assets.....	\$ 21,399,106	\$ 12,159,637	\$ 10,973,823	\$ 41,518,928	\$ 10,249,912

* Data is being accumulated from fiscal year 2002 forward.

GOVERNMENTAL FUNDS
FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST FIVE FISCAL YEARS*

	2002	2003	2004	2005	2006
General Fund					
Reserved.....	\$ 4,089,296	\$ 4,049,314	\$ 5,576,972	\$ 4,913,170	\$ 5,640,444
Unreserved.....	<u>11,349,447</u>	<u>13,111,188</u>	<u>11,709,476</u>	<u>8,909,297</u>	<u>14,654,428</u>
Total general fund.....	<u>\$ 15,438,743</u>	<u>\$ 17,160,502</u>	<u>\$ 17,286,448</u>	<u>\$ 13,822,467</u>	<u>\$ 20,294,872</u>
All Other Governmental Funds					
Reserved.....	\$ 4,471,345	\$ 31,342,435	\$ 8,402,242	\$ 10,215,616	\$ 10,478,401
Unreserved, reported in:					
Special revenue funds.....	8,025,610	8,418,453	8,116,538	8,463,345	7,325,742
Capital projects funds.....	(11,417,544)	(46,879,322)	(39,972,245)	(9,421,471)	1,450,147
Permanent funds.....	<u>977,907</u>	<u>923,315</u>	<u>868,171</u>	<u>1,012,798</u>	<u>874,461</u>
Total all other governmental funds.....	<u>\$ 2,057,318</u>	<u>\$ (6,195,119)</u>	<u>\$ (22,585,294)</u>	<u>\$ 10,270,288</u>	<u>\$ 20,128,751</u>

* Data is being accumulated from fiscal year 2002 forward.

GOVERNMENTAL FUNDS
CHANGES IN FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST FIVE FISCAL YEARS*

	2002	2003	2004	2005	2006
REVENUES					
Real estate and personal property taxes.....	\$ 160,230,063	\$ 179,025,142	\$ 187,056,486	\$ 192,554,388	\$ 200,165,525
Motor vehicle and other excise taxes.....	9,848,559	10,645,450	10,258,795	11,467,867	11,298,282
Hotel/motel tax.....	1,291,950	1,151,838	851,157	979,194	1,060,052
Payments in lieu of taxes.....	309,695	377,867	340,010	394,563	418,202
Community preservation surcharges.....	1,522,800	1,768,225	1,830,144	1,878,091	1,978,999
Charges for services.....	9,992,038	11,242,611	11,847,663	11,765,228	11,895,186
Intergovernmental.....	50,178,631	53,244,152	55,097,606	86,017,392	60,266,994
Penalties and interest on taxes.....	791,560	1,027,184	957,072	1,225,224	830,030
Licenses, permits and fees.....	4,485,956	4,566,185	4,896,721	4,991,489	7,172,004
Fines and forfeitures.....	1,820,973	1,717,200	1,916,239	1,987,816	2,002,406
Contributions.....	978,344	1,368,799	645,007	1,462,588	1,187,036
Investment income.....	1,828,719	1,441,124	1,126,708	2,090,489	3,467,377
Other.....	946,277	1,278,767	678,394	588,220	1,326,054
TOTAL REVENUES.....	244,225,565	268,854,544	277,502,002	317,402,549	303,068,147
EXPENDITURES					
Current:					
General government.....	15,326,340	18,381,356	24,829,089	20,453,407	21,972,500
Public safety.....	29,706,902	31,900,736	33,442,336	33,467,775	33,207,890
Education.....	143,450,681	158,405,020	158,699,064	156,983,456	157,219,646
Public works.....	17,448,356	19,195,401	20,323,463	23,574,662	20,074,536
Health and human services.....	4,692,835	3,763,331	3,215,469	3,565,435	3,594,966
Culture and recreation.....	9,670,437	10,462,029	11,044,089	12,376,821	12,156,563
Pension benefits.....	26,054,970	29,244,524	32,609,146	36,643,546	39,366,562
Property, liability and workers' compensation insurance.....	1,367,674	1,464,628	1,638,348	1,596,923	1,621,121
Claims and judgments.....	189,509	118,032	290,227	176,472	214,058
State and county charges.....	5,142,581	5,081,422	5,086,760	5,045,783	5,209,013
Debt service:					
Principal.....	4,884,800	4,878,900	4,281,100	5,118,200	5,595,500
Interest.....	1,716,690	1,929,122	2,744,328	2,483,216	2,215,170
TOTAL EXPENDITURES.....	259,651,775	284,824,501	298,203,419	301,485,696	302,447,525
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(15,426,210)	(15,969,957)	(20,701,417)	15,916,853	620,622
OTHER FINANCING SOURCES (USES)					
Transfers in.....	6,456,951	8,254,035	9,279,721	7,768,303	8,195,281
Proceeds of bonds and notes.....	4,910,000	5,700,000	5,000,000	11,500,000	13,835,000
Premium from issuance of bonds and notes.....			375,267	406,462	293,090
Sale of capital assets.....				36,000	26,446
Transfers out.....	(5,342,810)	(7,023,790)	(7,697,615)	(6,236,017)	(6,639,571)
TOTAL OTHER FINANCING SOURCES (USES).....	6,024,141	6,930,245	6,957,373	13,474,748	15,710,246
NET CHANGE IN FUND BALANCES.....	\$ (9,402,069)	\$ (9,039,712)	\$ (13,744,044)	\$ 29,391,601	\$ 16,330,868
DEBT SERVICE EXPENDITURES AS A PERCENTAGE OF NONCAPITAL EXPENDITURES.....					
	2.5%	2.4%	2.4%	2.5%	2.6%

* Data is being accumulated from fiscal year 2002 forward.

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value (2)			Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value (3)	Assessed Value as a Percentage of Actual Value
	Residential Real Property	Commercial and Industrial Real Property	Personal Property				
1997	\$ 7,526,156,935	\$ 989,788,965	\$ 128,835,228	\$ 8,644,781,128	\$ 15.23	\$ 8,906,905,500	97.06%
1998	7,922,932,998	1,000,745,102	135,827,100	9,059,505,200	15.06	9,926,932,200	91.26%
1999	8,978,253,758	1,126,244,342	135,370,600	10,239,868,700	13.88	9,926,932,200	103.15%
2000	9,885,690,995	1,171,451,405	142,875,400	11,200,017,800	13.16	12,028,714,200	93.11%
2001	10,857,798,128	1,239,695,672	151,823,400	12,249,317,200	12.57	12,028,714,200	101.83%
2002	13,232,606,650	1,471,227,850	166,827,900	14,870,662,400	10.77	15,843,209,000	93.86%
2003	13,350,364,729	1,478,001,571	188,708,900	15,017,075,200	11.83	15,843,209,000	94.79%
2004	15,105,379,601	1,504,901,799	214,760,200	16,825,041,600	10.98	19,131,654,600	87.94%
2005	17,046,470,917	1,614,228,983	194,282,500	18,854,982,400	10.16	19,131,654,600	98.55%
2006	18,038,525,657	1,630,652,443	197,645,600	19,866,823,700	9.99	21,590,027,600	92.02%

Source: City of Newton Annual Tax Recap Sheet

(1) Does not include valuation affected by residential exemption

(2) As of January 1st

(3) Estimated actual value is based on equalized valuations determined biennially by the Commissioner of Revenue

DIRECT PROPERTY TAX RATES (1) (2)

LAST TEN FISCAL YEARS

Fiscal Year	Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Direct (3)
1997	\$ 13.85	\$ 26.68	\$ 26.68	\$ 15.23
1998	13.75	26.38	26.38	15.06
1999	12.65	24.20	24.20	13.88
2000	12.06	22.97	22.97	13.16
2001	11.57	21.93	21.93	12.57
2002	9.94	18.77	18.77	10.77
2003	10.92	20.63	20.63	11.83
2004	10.20	19.37	19.37	10.98
2005	9.48	18.02	18.02	10.16
2006	9.36	17.72	17.72	9.99

Source: City of Newton Annual Tax Recap Sheet

(1) Rates are applicable to each \$1,000 of assessed value

(2) Per the initiatives of Proposition 2 1/2 adopted by the Commonwealth of Massachusetts, the City cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property. The City's levy is also limited in that it cannot increase more than 2.5 percent from the prior year, with certain exceptions for new growth or through overrides and exclusions adopted by City voters.

(3) Calculated by dividing the net tax levy by total assessed value divided by 1,000

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2006			1997		
	Amount of Tax	Rank	Percentage of Total Tax Levy	Amount of Tax	Rank	Percentage of Total Tax Levy
Riverside Project, LLC	\$ 1,758,409	1	0.89%	\$ -	-	-
Mayflower Atrium, LLC	1,172,446	2	0.59%	1,081,411	1	0.82%
NSTAR Electric	956,774	3	0.48%	-	-	-
Julian Cohen & Daniel Rothenberg Trust	809,932	4	0.41%	901,044	2	0.68%
Thomas White Trust	615,648	5	0.31%	613,436	5	0.47%
Chesapeake Hotel Lmt Partnership	612,979	6	0.31%	672,749	3	0.51%
RP Saracen Properties, LLC	472,200	7	0.24%	-	-	-
Daniel Rothenberg	471,958	8	0.24%	481,152	7	0.37%
Avalon Upper Falls, LLC	455,462	9	0.23%	-	-	-
Daniel Rothenberg	445,638	10	0.22%	413,145	8	0.31%
Ronald M. Druker Trust	-	-	-	625,279	4	0.47%
Dominic J. Saraceno Trust	-	-	-	585,564	6	0.44%
The May Department Stores	-	-	-	377,486	9	0.29%
Newton Wellesley Hospital	-	-	-	355,383	10	0.27%
Total	\$ <u>7,771,446</u>		<u>3.92%</u>	\$ <u>6,106,649</u>		<u>4.64%</u>

Source: City of Newton Board of Assessors

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Net Tax Levy		Collected within the Fiscal Year of the Levy		Actual Subsequent Collections		Total Collections to Date	
			Current Tax Collections	Percent of Net Levy Collected			Total Tax Collections	Total Collections as a % of Net Levy (1)
1997	\$	131,675,398	\$ 131,936,218	100.20%	\$	1,496,419	\$ 133,432,637	101.33%
1998		136,433,697	136,902,723	100.34%		1,434,142	138,336,865	101.39%
1999		142,094,215	142,212,683	100.08%		1,112,778	143,325,461	100.87%
2000		147,410,703	146,223,264	99.19%		2,633,625	148,856,889	100.98%
2001		153,949,624	152,952,314	99.35%		2,718,294	155,670,608	101.12%
2002		160,122,038	158,569,112	99.03%		2,995,041	161,564,153	100.90%
2003		177,652,048	177,072,455	99.67%		2,580,274	179,652,729	101.13%
2004		184,772,348	184,463,684	99.83%		2,179,037	186,642,721	101.01%
2005		191,516,639	189,884,213	99.15%		1,831,521	191,715,734	100.10%
2006		198,431,418	197,604,301	99.58%		-	197,604,301	99.58%

Source: Annual Tax Recap Sheet and General Ledger records

(1) Total collections can exceed 100% due to the City's conservative statutory reserve for abatements, which reduces the net tax levy.

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita (1)
	General Obligation Bonds	State Pension Loan	General Obligation Bonds	MWRA/ MWPAT Loans		
1997	\$ 24,543,650	\$ 2,600,000	\$ 1,586,350	\$ 1,133,304	\$ 29,863,304	\$ 362
1998	26,558,503	2,600,000	1,181,250	1,947,338	32,287,091	384
1999	35,036,938	2,600,000	978,662	1,847,713	40,463,313	498
2000	29,894,950	2,600,000	671,250	5,971,947	39,138,147	484
2001	29,841,344	2,600,000	316,250	17,288,376	50,045,970	1,008
2002	28,793,550	2,600,000	941,250	19,164,796	51,499,596	666
2003	29,614,650	2,600,000	1,080,450	27,979,244	61,274,344	790
2004	30,333,550	2,600,000	491,250	21,908,488	55,333,288	696
2005	36,715,350	2,600,000	266,250	22,627,199	62,208,799	778
2006	44,954,850	2,600,000	176,250	23,158,874	70,889,974	844

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the "Demographic and Economic Statistics" schedule located in the Statistical Section for population data. These ratios are calculated using population data for the prior calendar year.

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Net General Bonded Debt Outstanding			(1) Percentage of Actual Taxable Value of Property
	General Obligation Bonds	Less: Resources Restricted for Debt Principal	Total Net General Bonded Debt	
1997	\$ 26,130,000	\$ -	\$ 26,130,000	0.29%
1998	27,739,753	-	27,739,753	0.28%
1999	36,015,600	-	36,015,600	0.36%
2000	30,566,200	-	30,566,200	0.25%
2001	30,157,594	-	30,157,594	0.25%
2002	29,734,800	-	29,734,800	0.19%
2003	30,695,100	-	30,695,100	0.19%
2004	30,824,800	-	30,824,800	0.16%
2005	36,981,600	-	36,981,600	0.19%
2006	45,131,100	-	45,131,100	0.21%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the "Assessed Value and Estimated Actual Value of Taxable Property" schedule located in the Statistical Section for property value data.

(2) See the "Demographic and Economic Statistics" schedule located in the Statistical Section for

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Massachusetts Water Resources Authority.....	\$ 5,230,347,000	4.6%/4.23%	229,311,000
City direct debt.....			<u>47,554,850</u>
Total direct and overlapping debt.....			<u>\$ 276,865,850</u>

Sources: MWRA, City of Newton Treasurer's Office

LEGAL DEBT MARGIN INFORMATION

THIS FISCAL YEAR*

Legal Debt Margin Calculation for Fiscal Year 2006

Fiscal year 2006 equalized valuation.....	\$	21,590,027,600
Normal debt limit (2 1/2% of equalized valuation).....		539,750,690
Debt applicable to limit:		
Total bonded debt.....		70,889,974
Less: General obligation bonds exempted by authority of state legislature.....		<u>(25,935,124)</u>
Total net debt applicable to limit.....		<u>96,825,098</u>
Legal debt margin.....	\$	<u><u>442,925,592</u></u>
Total net debt applicable to the limit as a percentage of normal debt limit.....	\$	17.94%

* Data is being accumulated from fiscal year 2006 forward.

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

Year	Population	Per Capita Income	Unemployment Rate (%)
1996	82,450	\$ 28,840	2.3%
1997	84,045	28,840	2.3%
1998	81,179	28,840	1.7%
1999	80,831	28,840	1.7%
2000	49,642	45,708	1.8%
2001	77,350	45,708	2.7%
2002	77,517	45,708	3.9%
2003	79,515	45,708	4.1%
2004	79,980	45,708	3.5%
2005	84,031	45,708	3.3%

Sources: Population from City census

Per capita income is from U.S Census for 1990 and 2000

Unemployment rates from Massachusetts Division of Unemployment Assistance

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2006		1997	
	Employees	Rank	Employees	Rank
Boston College	1000 +	1	1000 +	2
City of Newton	1000 +	2	1000 +	1
Newton-Wellesley Hospital	1000 +	3	1000 +	3
Clarks Company, North America	250 - 999	4	-	-
Education Development Center	250 - 999	5	-	-
H.C Starck Inc.	250 - 999	6	-	-
HRPT Properties Trust	250 - 999	7	-	-
Marriott Corporation	250 - 999	8	-	-
Medical Resources, Inc.	250 - 999	9	-	-
Wholefoods Inc.	250 - 999	10	-	-
Marcam Corporation	-	-	250 - 999	4
Cahners Publishers Corp.	-	-	250 - 999	5
GEO Centers	-	-	250 - 999	6
Star Market	-	-	250 - 999	7
C&K Components	-	-	250 - 999	8
Micro-Temps	-	-	250 - 999	9
Filenes Basement	-	-	250 - 999	10

Source: City of Newton Official Statements

EMPLOYEES BY FUNCTION/PROGRAM

LAST FISCAL YEAR*

<u>Employees as of June 30</u>	
<u>2006</u>	
<u>Function/Program</u>	
General government.....	142
Public safety.....	384
Education.....	1,193
Public works	136
Health and human services.....	44
Culture and recreation.....	105
Water.....	24
Sewer.....	34
Total.....	<u>2,062</u>

Source: City of Newton payroll

* Data is being accumulated from fiscal year 2006 forward.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST FISCAL YEAR*

Function/Program	Fiscal Year
	2006
Public safety	
Police	
Stations.....	1
Vehicles.....	69
Fire	
Stations.....	6
Firefighting Vehicles.....	9
Education	
Public school buildings.....	21
Public works	
Streets (miles).....	310
Streetlights.....	8,595
Traffic signals.....	98
Parking meters.....	1,671
Culture and recreation	
Library circulation.....	2,020,000
Park & playground Acreage.....	590
Outdoor swimming facilities.....	2
Indoor swimming facilities.....	1
Public street trees	30,000
Water	
Water mains (miles).....	300
Fire hydrants.....	2,400
Storage capacity (thousands of gallons).....	26,000,000
Sewer	
Sanitary sewers (miles).....	300
Sewer pump stations.....	10
Stormdrains (miles).....	324

Sources: Various departments of the City of Newton

* Data is being accumulated from fiscal year 2006 forward.



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